As of 11 a.m. ET **DJIA** 10571.03 ▲ 1.37% **FTSE 100** 5500.34 ▲ 1.62% **Nikkei 225** 10654.79 ▲ 1.03% **Shanghai Comp.** 3243.76 ▼ 1.02% **Hang Seng** 21823.28 ▼ 0.23% **Sensex** 17558.73 ▲ 0.54% **S&P/ASX 200** 4876.25 ▲ 0.12%

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World's tallest skyscraper opens in Dubai

Associated Press

Dubai opened the world's tallest building Monday and renamed it the Burj Khalifa, after the president of the United Arab Emirates, Sheihk Khalifa bin Zayed Al Nahyan. Dubai hopes the 828-meter-tall building and its surrounding $20 billion development will help its allure as a business hub. **Page 19.**

Asia's big recovery spurs look at policy

By Michael S. Arnold

SINGAPORE—Asia looks set to continue its strong economic recovery, new data showed Monday, adding to the perception that authorities could soon look for a chance to tighten fiscal and monetary policies.

Manufacturing indexes in China, South Korea, Taiwan and India showed continuing expansion in December. The findings were particularly strong in China, where a number of other measures indicate the economy—a key regional catalyst—likely grew at its fastest pace in the final quarter of 2009 since the global crisis began.

The data come as Asian countries consider dialing back fiscal-stimulus efforts and easy monetary policies adopted during the crisis. Australia's central bank was among the first to raise its key policy rate, and market watchers are waiting to see whether recovering nations such as India and South Korea follow suit.

"The data are coming at a time when Asia has ultra-low interest rates, strong growth and very accommodating monetary policy," said Sean Darby, a strategist at Nomura International in Hong Kong. "The better growth rates are, the greater the likelihood that inflation will be greater than the market is estimating."

Underscoring the uncertainty, other data Monday highlighted how dependent Asian economies remain on U.S. and Europe, which aren't as far along the recovery path.

Singapore's gross domestic product contracted more sharply than expected in the fourth quarter, shrinking 6.8% on the quarter in seasonally adjusted, annualized terms, and contracting 2.1% for the entire year.

"The Asian recovery (and by the same token the regional outlook for 2010) remains vulnerable, particularly for those countries that cannot rely too much on domestic demand," Calyon analyst Sebastien Barbe said.

Still, Monday's data were greeted mostly positively by investors, sending shares modestly higher in Japan, South Korea, India and Taiwan, though shares also fell in China and Hong Kong.

In China, the HSBC PMI rose to 56.1 in December—its highest level in 20 months—from 55.7 in November. It was the ninth straight month that

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Recovery on track

Sources: National Bureau of Statistics of China via Thomson Reuter (PMI), Korea International Trade Association (exports)

■ U.S. manufacturing grows, construction spending falls 16
■ Asian central bankers' money problem—too much of it 32

Chinese evade U.S.'s Iran sanctions

By Peter Fritsch

Chinese companies banned from doing business in the U.S. for allegedly selling missile technology to Iran continue to do a brisk trade with American companies, according to an analysis of shipping records.

A unit of state-owned **China Precision Machinery Import-Export** Corp., for example, has made nearly 300 illegal shipments to U.S. firms since a ban was imposed on CPMIEC and its affiliates in mid-2006, according to an analysis of shipping records by the Wisconsin Project on Nuclear Arms Control, a nonprofit proliferation watchdog.

A Wall Street Journal review of the records and interviews with officials at some of the American companies indicate that the U.S. firms likely were unaware they were doing business with banned entities, and in many cases were tripped up by altered company names.

Sanctioned companies sometimes create aliases or shell firms to mask their ownership.

The CPMIEC shipments, worth millions of dollars, range from anchors and drilling equipment to automobile parts and toys. In many cases, CPMIEC acted as a shipping intermediary—activity also banned under a 2006 presidential order.

The ability of CPMIEC and other foreign companies to continue doing business in the U.S. despite the sanctions comes as the Obama administration considers fresh economic sanctions against Iran. The illegal shipments suggest that U.S. sanctions have become so numerous and complex that they have become difficult to enforce.

"We spend a lot of time convincing other countries that we need tighter sanctions on Iran when we need to better enforce our own laws already on the books," says Wisconsin Project director Gary Milhollin, a former consultant to the Pentagon on nuclear-proliferation matters.

Responsibility for enforcing sanctions falls to the Treasury Department's Office of Foreign Assets Control, or OFAC, an office with 69 investigators and a 2009 budget of $29 million. OFAC is responsible for enforcing more than 20 sanctions programs targeting everything from nuclear proliferators and terror financiers to illegal imports of Cuban cigars.

OFAC hasn't fined any U.S. companies for trading with CPMIEC or other Chinese companies banned in 2006. In response to inquiries from the Journal, Treasury Department officials investigated CPMIEC and its subsidiaries further. On Thursday, OFAC added one CPMIEC unit to its list of banned companies.

"If we see U.S. companies that are knowingly engaging in transactions with a proliferation target or front company, or that those targets are

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PAGE TWO

What's News—

* * *

Business & Finance

■ **Japan Airlines shares soared** 31% as Tokyo began working out details of a larger credit line for the troubled airline. JAL also said it was continuing discussions on closer ties with both Delta and American Airlines. **3**

■ **GM launched** a new small Chevrolet in India and said it expects its overall sales in the nation to exceed 100,000 this year, up from 70,000 in 2009. **17**

■ **GM's sales in China jumped** 67% last year, underscoring the country's importance to the U.S. auto maker as sales sputtered in its home market. **20**

■ **A late-year recovery** in car sales in the U.S. is starting to ease fears that the historic plunge in the nation's auto market in 2009 would repeat itself this year. **20**

■ **Novartis said it will pay** Nestlé $28.1 billion to increase its holding in U.S. eye-care company Alcon to 77%. **18**

■ **Stock markets started 2010** on a firm note. U.S. indexes climbed as the dollar sank and the price of commodities rose. **27**

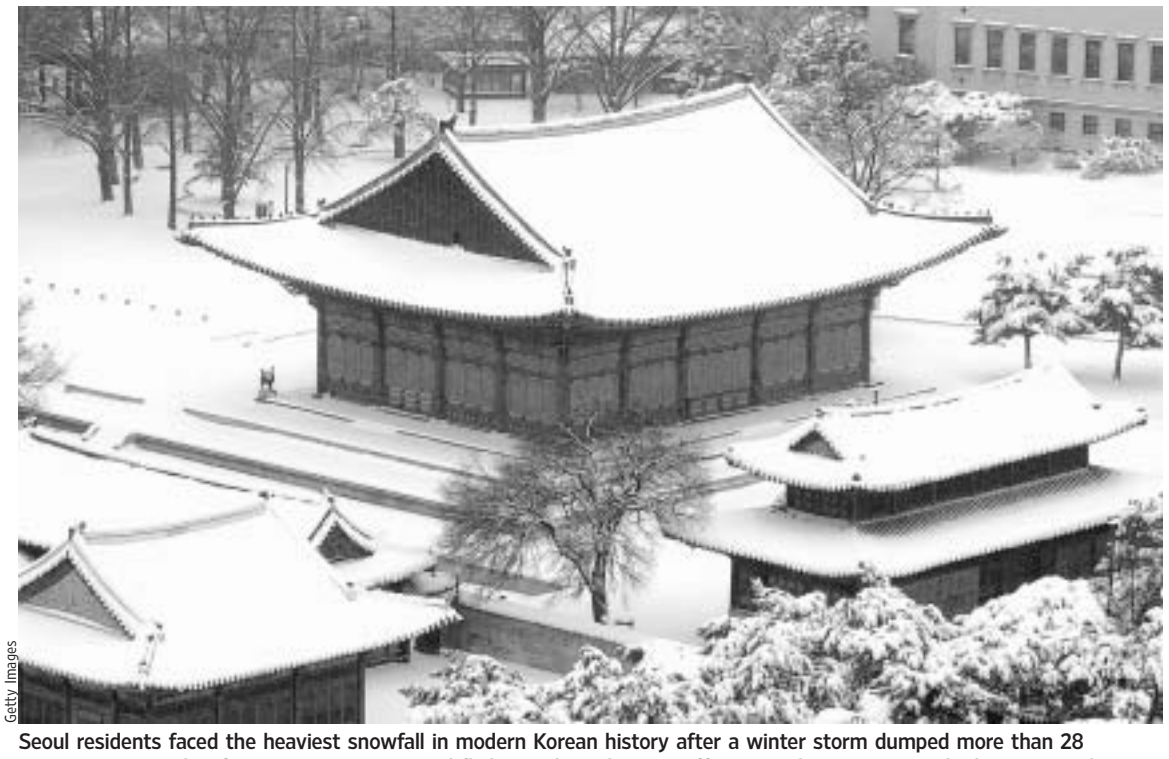
■ **The U.S. manufacturing sector** finished 2009 on a high note, helped by improving production and ordering activity. **16**

■ **China said** insurance companies can now buy triple-A-rated non-guaranteed bonds on the domestic interbank market, broadening the firms' investment channels. **23**

■ **The Philippines, Indonesia** and Vietnam hope to sell as much as a combined $7 billion of new debt in the coming weeks. **23**

■ **Woodside Petroleum lost** a deal with PetroChina to potentially sell it three million tons of liquefied natural gas a year when an earlier agreement expired. **19**

■ **India's Jindal Steel & Power** matched a $177 million takeover offer by a Chinese rival for Australian coking-coal developer Rocklands Richfield. **19**



Getty Images

Seoul residents faced the heaviest snowfall in modern Korean history after a winter storm dumped more than 28 centimeters Monday, forcing airports to cancel flights and paralyzing traffic in South Korea's capital. The snow and icy roads snarled traffic in and out of Seoul, and at least three people died in traffic accidents.

■ **Asahi is deepening ties** with Carlsberg by signing a Hong Kong marketing pact with the Danish brewer, in its latest move aimed at boosting overseas sales. **18**

■ **Crude-oil futures traded** above $81 a barrel for the first time in two months, bolstered by frigid temperatures across much of the northern hemisphere. **26**

■ **The dollar fell** as stronger global manufacturing data stoked appetite for risk, fueling a rally in higher-yielding currencies. **27**

■ **Total plans to acquire 25%** of Chesapeake Energy's Barnett shale-gas portfolio in Texas for $800 million. **22**

* * *

World-Wide

■ **A diesel spill** has contaminated a stretch of China's Yellow River despite frantic efforts to contain its spread into the waterway that provides drinking water to tens of millions of people. **4**

■ **Chinese democracy activist** Liu Xiaobo filed for appeal of his conviction and 11-year sentence on subversion charges, one of his lawyers said. **4**

■ **Malaysians are going online** in big numbers to debate a court ruling that lets the local Roman Catholic Church use the word Allah as a translation for God. **5**

■ **Five Americans** being detained in Pakistan on suspicion of plotting terrorist attacks told a local court they were only in the country with the intention of bringing medical aid to Afghanistan. **5**

■ **Four American troops** and one British soldier were killed in Afghanistan, marking the first losses for Western forces this year.

■ **Al Qaeda appears** to be able to nimbly deploy forces to places in the Middle East where international pressure is less concentrated or has eased, including Yemen and Somalia. **6**

■ **Airline passengers** had one of their safest years in decades, but a decline in fatalities masks an overall backsliding in air safety, two new studies indicate. **21**

■ **Japan's Hatoyama said** he will press for more equal ties with Washington this year, the 50th anniversary of a security treaty that grants many special privileges to U.S. troops stationed in Japan.

■ **Myanmar's ruling junta chief** confirmed that the country's first general elections in two decades will be held this year but gave no date for the balloting, which is expected to exclude pro-democracy leader Aung San Suu Kyi.

■ **A tsunami unleashed** by a major earthquake plowed into the Solomon Islands, devastating at least one village. Initial reports said no one was seriously hurt.

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Among the gizmos that will be in high demand in 2010 are femtocells—small base stations that boost wireless coverage.

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JAL shares rise on funding plan

By Yoshio Takahashi

TOKYO—The Japanese government on Monday began working out details of a larger credit line for **Japan Airlines** Corp., which saw its shares surge 31% on word of increased government aid.

Transport Minister Seiji Maehara and other top government officials over the weekend asked the Development Bank of Japan to double the airline credit line to as much as 200 billion yen, or about $2 billion, so it can avoid disruptions while drafting a restructuring plan.

A bank spokesman said Monday that he didn't know yet when the bank would be able to offer the additional loans because it needs to consider the government's request first.

Despite lingering questions about the carrier's future, JAL's shares ended the day at 88 yen (95 cents) each on the Tokyo Stock Exchange, increasing from 67 yen a share the previous trading day. The shares soared as high as 39% intraday.

The surge came as the struggling carrier denied a local media report that it has already decided to accept an investment offer from **Delta Air Lines** Inc. and its SkyTeam global alliance because of its strength in Asia, preferring it over a rival offer from existing Oneworld alliance partner American Airlines' parent, **AMR** Corp.

A person familiar with the matter said any decision on an alliance would come later, though JAL is likely to make up its mind soon in light of a recent open-skies agreement reached between the U.S. and Japan.

A spokesman at the Japanese carrier said the company is continuing discussions with both parties. American said it was still in talks with JAL. A Delta spokeswoman declined to comment.

The steep rise in JAL's shares gained momentum after major stock lending firm Japan Securities Finance decided on Dec. 30 to stop accepting applications for borrowing JAL shares starting Monday, forcing those who sold short on the previous trading day to buy the stock back.

Monday's share climb more than recouped a 24% tumble that occurred last Wednesday when investors feared that the struggling carrier could file for bankruptcy protection.

Mr. Maehara, the transport minister, said last week that JAL had already used 55 billion yen of its current credit line of as much as 100 billion yen that had been provided in November by the development bank.

The amount of available funds for the carrier would total 145 yen billion when the new loans from the state-backed bank are added to remaining loans.

Analysts said the possibility of additional government funding could serve as a much-needed, temporary lifeline for JAL.

"Worries about funding in the short term have been resolved," said Takahiko Kishi, an analyst at Mizuho Investors Securities. However, investors "have to see concrete restructuring plans to see whether it will be court-led or out-of-court restructuring," he said.

—Mariko Sanchanta, Ayai Tomisawa and Alison Tudor contributed to this article.

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Leak hits Yellow River

Diesel spill in tributary contaminates China's second-longest waterway

By Andrew Browne

BEIJING—A diesel spill has contaminated a stretch of China's Yellow River, officials said Monday, despite frantic efforts to contain its spread into the waterway, which provides drinking water to tens of millions of people.

The leak underscored the grave challenges to the environment posed by China's rapid economic growth. Chinese leaders face growing social unrest linked to environmental pollution. There were no immediate reports of public disturbances in the area.

Vice Premier Li Keqiang had ordered local officials to "strictly prevent leakage and pollution from flowing into the Yellow River and ensure the safety of drinking water for the masses," according to a Shaanxi provincial government news release.

The public-health scare began last Wednesday when diesel started gushing into the Wei River, a tributary of the Yellow River in northern China, from a ruptured pipeline operated by China National Petroleum Corp.

Over the weekend, workers threw 17 floating dams across the Wei to block the toxic diesel. But scientists discovered diesel traces in a reservoir behind a dam in Sanmenxia, a city about 100 kilometers downstream from the point where the Wei joins the Yellow River, an official in the Henan provincial environmental protection bureau said Monday.

The official said authorities had closed the gates of the dam, one of the largest along the Yellow River, halting power-generating turbines. A clean-up operation was under way in the reservoir. So far, no pollution had been detected downstream of Sanmenxia, the official said.

Untreated chemicals and waste flowing into China's river networks have created an environmental crisis that threatens human health and agricultural production.

A vice governor of Henan province and other senior officials travelled to Sanmenxia, a city of about 2.2 million people, to lead pollution-control efforts, the environmental official said. The Yellow River flows from Shaanxi province into Henan, and is the country's second-longest river after the Yangtze.

Chinese state media said cities along the Yellow River are required to stockpile drinking water in preparation for such an emergency.

Untreated chemicals and waste flowing into China's river networks have created an environmental crisis that threatens human health and agricultural production. The Yellow River is dry in parts because of unchecked water diversion by cities along its path.

The accident recalled an earlier disaster in 2005, when a chemical spill in the Songhua River forced authorities to temporarily cut off water supplies for more than three million people in the northern city of Harbin. The spill resulted in the resignation of China's top environmental regulator.

A press official at the Shaanxi provincial government said the leak occurred during a test run of the pipeline. CNPC's General Manager Jiang Jiemin said in a statement on Monday that although preliminary control efforts had succeeded, clean-up operations were being extended further downstream along the Wei and "the situation is still severe."

—Ellen Zhu contributed to this article.

Agence France-Presse/Getty Images

Authorities closed the gates of a dam in Sanmenxia, one of the largest along the Yellow River, after detecting diesel traces.

Chinese dissident Liu appeals

By Sky Canaves

HONG KONG—Chinese democracy activist Liu Xiaobo has filed for appeal of his conviction and 11-year sentence on subversion charges, one of his lawyers said Monday.

The lawyer, Shang Baojun, said Mr. Liu made a formal request for a higher court's review of his case on Dec. 29, four days after Beijing's No. 1 Intermediate People's Court ruled that Mr. Liu was guilty of "inciting subversion of state power."

The Beijing Supreme People's Court, which Mr. Shang said received the appeal, couldn't immediately be reached for comment.

Mr. Liu was detained by Chinese authorities in December 2008, after he co-authored the pro-democracy Charter 08, a call for greater freedom and political reform in China. He spent a year in detention before a brief, closed-door trial on Dec. 23.

The verdict and unusually long sentence imposed on Mr. Liu have been widely condemned by the U.S. government, overseas human-rights groups and prominent writers, including Salman Rushdie, Umberto Eco and Edward Albee.

At the time of the sentencing, another one of Mr. Liu's lawyers said the dissident planned to appeal, and cited procedural flaws in his prosecution. However, appeals in sensitive cases such as Mr. Liu's rarely succeed because of political pressures from beyond the courtroom.

Mr. Shang, the lawyer, declined to speculate on Mr. Liu's chances for success.

"He believes that, in China, in order to fight for democratic freedoms, prison is the first obstacle... so he wants to surmount that obstacle," said Mr. Shang.

Associated Press

Chinese Premier Wen Jiabao, shown at a news conference in Egypt in November.

中国实时报
CHINAREALTIMEREPORT

The Wall Street Journal's China Real Time Report **(http://blogs.wsj.com/chinarealtime)** *this past week looked at what went into a rare interview with Wen Jiabao, a list of top 10 crackdowns in 2009 and a small relaxation in Xinjiang Internet restrictions. Excerpts:*

For Wen's interview, a cast of 300

A sobering thought as China's leaders pledge greater transparency: It took the involvement of no fewer than 300 people to carry off an interview that Premier Wen Jiabao gave to state-run Xinhua news agency on Dec. 27.

The Beijing newspaper Legal Daily News last week published a report on what went on behind the scenes. There were 30 people at the site of the interview inside Beijing's leadership compound. Then there were the technicians. Other staff helped to translate Premier Wen's comments into Xinhua's seven publishing languages.

The report underscored just how rarely China's leaders subject themselves to questions from reporters.

Virtually the only guaranteed opportunity to see a Chinese leader answer questions from reporters is at a televised press conference at the end of the spring meeting of the National People's Congress—though even then many questions are known in advance.

Increasingly, China's leaders do speak publicly, mostly in major conferences. Mr. Wen has appeared at press conferences on international trips, such as at a meeting on Africa in Egypt in November.

China's head of state, President Hu Jintao, appears more reticent. It wasn't until shortly before the Beijing Olympics in 2008—and nearly six years since he had taken the leadership helm—that Mr. Hu sat for his first interview with foreign press.

More comfortable in front of reporters was China's previous president, Jiang Zemin. Mr. Jiang once even sat for Mike Wallace, the aggressive reporter for the CBS television news program "60 Minutes," where he got roughhoused on questions related to the Tiananmen Square crackdown.

—James T. Areddy

Top 10 crackdowns

Last week, the China Daily, the nation's top English-language paper, put its own spin on the annual tradition of year-end lists of the year's events with a list of the Top 10 Crackdowns of 2009.

Leading the list, unsurprisingly, was the massive crackdown on organized crime in the Western city of Chongqing. The campaign, described as the largest local operation against organized crime since the founding of the People's Republic, has highlighted growing mob activity, and corruption on the part of public officials.

Two of the top 10 spots go to clampdowns on online pornography.

The list includes some odd entries, including a campaign in Shanghai against wearing pajamas in public, and one against celebrity endorsements of unsafe food products.

As the list illustrates, periodic crackdowns are a fact of life in modern China. It isn't ever clear how an issue such as public pajama-wearing comes to be a top public priority. But once it does, the population can expect it will be bombarded with messages on the issue through the state-owned media apparatus.

—Aaron Back

Blackout lifts a bit

Residents of the restive far-western Xinjiang region can finally use the Internet again, after nearly six months of total Internet blackout.

However, the restored access for now extends only to the Web sites of the two primary organs of state propaganda: the People's Daily, the official Communist party newspaper, and the ubiquitous, state-run Xinhua news agency.

Tensions in Xinjiang, home to about nine million Uighurs, a predominantly Muslim ethnic group, boiled over July 5 into riots that killed nearly 200 people. Seeking to reimpose control, Beijing cut off all Internet access in the province.

A statement by the Xinjiang government last week said the restrictions played an important role in stabilizing the situation. But they also "brought some inconvenience to normal life and production," it acknowledged. Of course, "every ethnic group, from the viewpoint of safeguarding social stability, gave their understanding and support" to the restrictions, it added.

—Aaron Back

Malaysian ruling spawns big debate

By James Hookway And Celine Fernandez

KUALA LUMPUR—Malaysians are flocking online to debate a court ruling that allows the local Roman Catholic Church to use the word Allah as a translation for God in its weekly newspaper.

Government officials say they will listen to all opinions before deciding whether to strengthen protections for Islam under the Muslim-majority country's constitution.

The possible changes, raised by Home Minister Hishammuddin Hussein in a statement Sunday, could help defuse anger among Muslims over a New Year's Eve court ruling. The High Court overturned a three-year-old government ban on the Catholic Church using the term Allah to refer to God in its local Malay-language newspaper after church officials argued it was the only suitable word for God in Malay.

Tuhan, or Lord, can be used in Malay, but church officials say it isn't appropriate. Allah is the term used in church prayer and services, and in everyday language in Malay.

Political analysts say any constitutional changes could further alarm non-Muslim and moderate Muslim Malaysians, who worry the country is shedding its traditionally moderate interpretation of Islam.

Prime Minister Najib Razak's government on Monday appealed the high-court ruling, setting the scene for a lengthy contest over who is allowed to use the word—a competition that could undercut Mr. Najib's efforts to smooth over years of religious tension in the country.

Some powerful Muslims say they are concerned that Muslims could become confused and be lured to another faith by the Christian use of the word Allah. Their critics charge that the complaints mask local biases against minorities.

Early skirmishes are taking place online. The Internet is one of the few mediums of expression that isn't tightly controlled by the state in Malaysia, and ethnic-Malay Muslims as well as minority ethnic-Chinese and Indian Malaysians have been logging on in droves to comment on the court decision. The deluge underscores how the important the Internet is to political debate in Malaysia, as well as the depth of the feeling that the verdict has provoked in the Muslim-majority country.

A Facebook group formed to protest against non-Muslims using the word Allah has attracted more than 53,000 members in just a few days. The page describes itself as a group for "awakened Muslims" pushing back against Christian efforts "to confuse the Islamic community." Members include Muslim activist Ridhuan Abdullah and, according to an aide, Mukhriz Mahathir, deputy trade minister and a son of former Prime Minister Mahathir Mohamad.

Hackers staged their own protest by attacking the Web site of the Roman Catholic Church's weekly newspaper, the Herald, on Saturday and Sunday. The publication is at the center of the linguistic battle, and visitors were blocked from accessing its site, its editor, Rev. Lawrence Andrew said. On Monday, the Web site was working normally.

European Pressphoto Agency

A staff member of the Herald, a weekly Catholic newspaper, works in its Kuala Lumpur office. Malaysia's High Court has lifted a ban on it using 'Allah' for God.

The Arabic word Allah was introduced to Southeast Asia by Muslim traders around the 12th century and was quickly adopted by local converts to the faith, who didn't have the concept, or their own local word, for a single deity. Today, the adopted word Allah is widely used by indigenous Christians in Muslim-majority Malaysia, just as it is used by Christians in Arabic-speaking countries such as Egypt, Syria and elsewhere. The current ban applies only to the church publication, not to religious ritual.

In 2007, when Abdullah Ahmad Badawi was prime minister, the Malaysian government banned Malay-speaking Catholics from using the word Allah in its 14,000-circulation weekly paper. That spawned resentment among Malaysia's non-Muslims, about 40% of the population of 27 million.

After Thursday's court ruling in favor of the church, moderate Muslims and non-Muslim Malaysians took to the country's various online-based publications to defend the right of Christians to use the term Allah. Political parties, and even families, are split over the issue.

Marina Mahathir, a daughter of Dr. Mahathir and sister of Mr. Mukhriz, posted a long article on the Malaysian Insider Web site, saying Muslims shouldn't feel threatened by the High Court's ruling. "A confident Muslim will not walk into a church, hear a liturgy in Malay or Arabic where they use the word 'Allah' and then think that he or she is in a mosque. A confident Muslim knows the difference," Ms. Marina wrote.

The Malaysian Chinese Association, a member of the Malay-led National Front coalition government, said Monday that it supported the court's ruling. "No group should claim exclusive ownership of 'Allah' as it is not a patented copyright of any ethnic group," party spokesman Gan Ping Sieu said.

Many political and legal analysts predict the government will likely win its appeal on the Allah issue, noting that while lower courts sometimes rule against the state, it rarely happens in the higher courts.

Separate from appealing the Dec. 31 ruling, the government seems to be considering changing the constitution to enhance the status of Islam in Malaysia. It is unclear what measures Mr. Hishammuddin, the home minister, has in mind. The Muslim faith is considered Malaysia's national religion; other faiths are guaranteed the right to peaceful worship.

U.S. suspects deny Pakistan terror plot

By Zahid Hussain

The five Americans being detained in Pakistan on suspicion of plotting terrorist attacks told a local court Monday they were only in the country trying to help their fellow Muslims.

They denied they were plotting any attacks inside or outside the country. They told a special terrorism court that they arrived in the country late last year with the intention of bringing medical aid to Afghanistan. The men said they don't have any links with al Qaeda affiliated militant groups.

"They told the court that they intended to travel to Afghanistan to help their Muslim brothers who were being victimized by the Western forces," said their attorney Mohammed Amir Khan Rokri in a phone interview. "They told the court that they are not terrorists."

The men, who are all from the suburbs of Washington, D.C., appeared before the court in Pakistan's eastern city of Sargodha where they could face terrorism charges. The men were shackled and brought to the court under tight security with armed police commandos deployed on the rooftop. Journalists were barred from the courtroom.

Police told the court they have completed their investigation and have enough evidence against the men to try them under antiterrorism laws. The court remanded the men to prison and gave the prosecution 14 days to prepare the case.

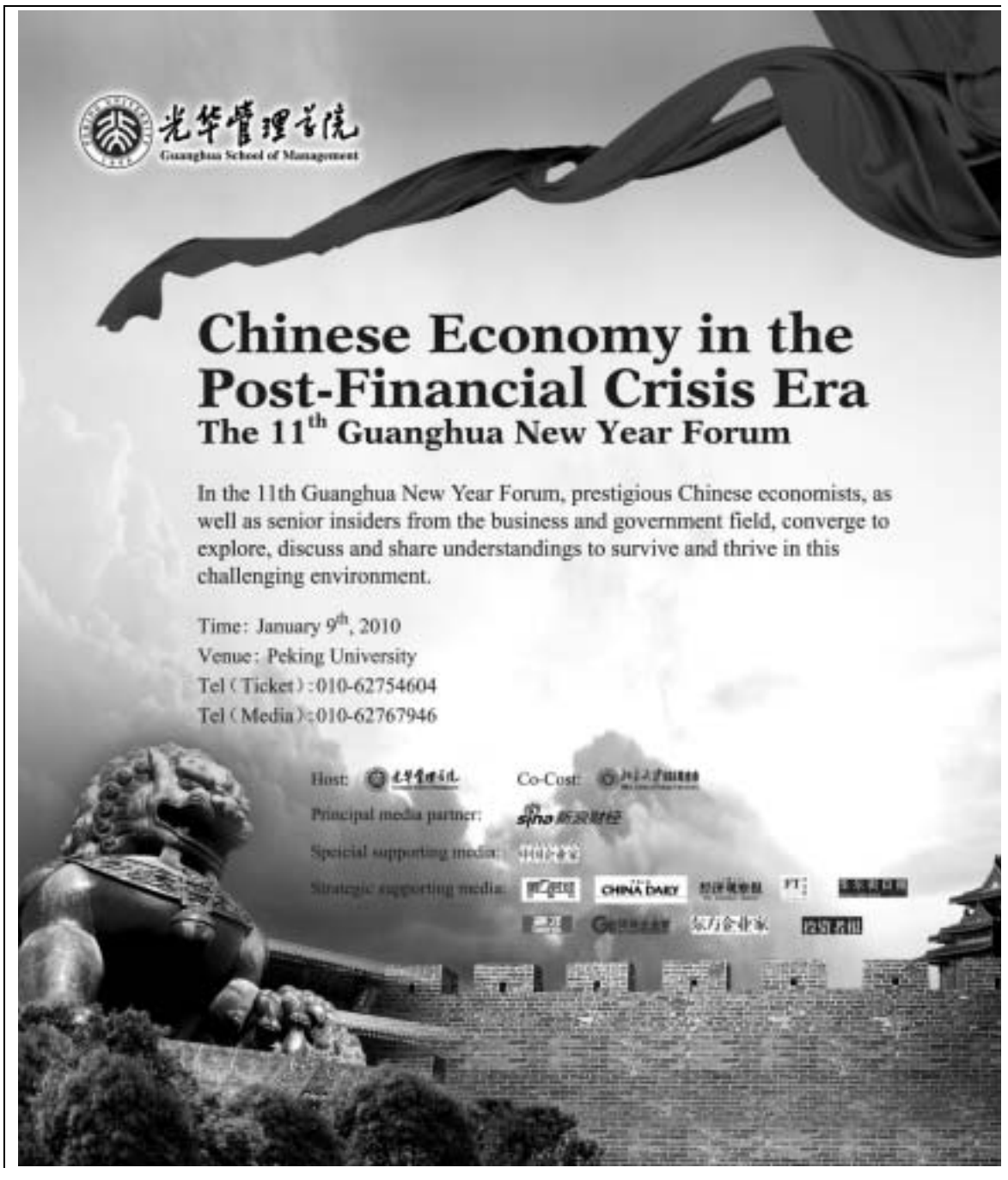
Pakistani police say they think the five men, who are between the ages of 19 to 24, had developed links with a Pakistani militant group connected to al Qaeda.

Investigators said the information gleaned from their computers and material seized from them showed they were plotting to carry out attacks on a Pakistani airbase and other defense installations.

Investigators had earlier said the men declared they came to Pakistan for jihad. The Americans—two of Pakistani origin, one of Egyptian origin, one of Ethiopian origin and one of Eritrean origin—have been identified as Ramy Zamzam, Waqar Hussain, Aman Yamar, Ahmad Abdul Minni and Umer Farooq.

Pakistani investigators said the men had communicated with contacts in Pakistan through YouTube. They met with a man named "Saifullah" on their arrival in the southern port city of Karachi before leaving for the town of Sargodha in the province of Punjab, where they were arrested. Saifullah is believed to be a member Jaish-e-Mohammed, an outlawed Pakistani militant group with close al Qaeda connections.

The court on Monday also ordered the release of Khalid Farooq, an American citizen and father of one of the accused, for lack of evidence. He was detained for questioning after the five men were arrested at his family's house in Sargodha.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Chinese Economy in the Post-Financial Crisis Era
The 11th Guanghua New Year Forum
In the 11th Guanghua New Year Forum, prestigious Chinese economists, as well as senior insiders from the business and government field, converge to explore, discuss and share understandings to survive and thrive in this challenging environment.
Time: January 9th, 2010
Venue: Peking University
Tel (Ticket): 010-62754604
Tel (Media): 010-62767946
Host:
Co-Host:
Principal media partner:
Special supporting media:
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Members of Islamist group al Shabaab train in Mogadishu recently. Al Qaeda is suspected of sending fighters to buttress the Somali organization.

Al Qaeda widens reach

Mobility helps terrorist group's fighters travel with ease in Middle East

*By **Chip Cummins, Matthew Rosenberg** and **Margaret Coker***

Al Qaeda's decentralized structure across the Middle East is proving one of its biggest advantages over American firepower.

U.S. and allied-government officials have claimed significant progress against al Qaeda in Afghanistan, Pakistan and Iraq recently. But the group appears able to nimbly deploy forces to places where international military pressure isn't as concentrated or has eased, including most recently Yemen and Somalia, according to officials and analysts.

Arab intelligence officers say they have tracked foreign fighters allied with al Qaeda traveling from one Mideast battlefield to another—in particular from Iraq to Yemen, and, over the summer, from Pakistan to Yemen.

High-profile plots—like the Christmas Day attempted plane bombing in the U.S., linked by U.S. officials to al Qaeda's affiliate in Yemen—can also lift regionwide recruitment efforts for local chapters, without much help from affiliates or from al Qaeda's global leadership.

The global network "moves to the weakest point," says Mustafa Alani, director of security and terrorism studies at the Dubai-based Gulf Research Center, a think tank. "In Yemen, they have found opportunity."

After almost a decade of concerted U.S. and allied offensives, al Qaeda's affiliate groups work with a high degree of autonomy. The global group's top leadership, Osama bin Laden, and his lieutenant, Ayman al-Zawahiri, are both believed by U.S. officials to be in Pakistan.

Following Mr. bin Laden's expulsion from Sudan in 1996, al Qaeda found a well-established jihadi infrastructure in Pakistan and Afghanistan. The group never inspired an official affiliate, instead forming what U.S. officials and experts describe as "symbiotic" relationships with already established Islamist militant groups.

But al Qaeda's ability to operate in Pakistan and Afghanistan has been tightly curtailed over the past year or two. Senior military and civilian officials familiar with Afghanistan and Pakistan operations, speaking before the Christmas attack, said the pressure on al Qaeda in Pakistan and Afghanistan had prompted some operatives to shift to Yemen and Somalia.

The U.S. and allies in Pakistan and Afghanistan may have also killed operatives who provided key links to affiliated groups, forcing local cells to increase their own autonomy. One casualty in Pakistan was Abu Laith al-Libi, a senior commander slain in a January 2008 missile strike. U.S. officials believe he oversaw operations in parts of Africa.

Al Qaeda in the Arabian Peninsula, or AQAP, as the Yemeni affiliate is called, benefits from a core of battle-hardened and ideologically driven Saudi and Yemeni men, who were raised on stories of jihad in Afghanistan in the 1980s. They orchestrated the 2000 bombing of the USS Cole, and then embarked as foot soldiers in places like Afghanistan and Iraq.

As it was battling U.S. and allied forces elsewhere, including Iraq, al Qaeda branched out to northern Africa, effectively opening a new franchise in 2006. Mr. al-Zawahiri permitted a militant Algerian group to take the name al Qaeda in the Maghreb. It has claimed responsibility for suicide bombings in Algeria and for abducting foreigners in Mali and Mauritania.

In Somalia, al Qaeda is suspected of sending fighters to buttress the Islamist group al Shabaab, which is battling the U.S.-backed government. The government is staying afloat with the protection of African Union peacekeeping troops stationed in Mogadishu, the capital.

At least 47 people were killed in weekend fighting between al Shabaab and a moderate pro-government Muslim group in Dusamareb, 560 kilometers north of Mogadishu, Reuters news agency reported.

For the past year, foreign fighters linked to al Qaeda have been arriving in Somalia to support al Shabaab, according to Western and Somali officials. Since then, attacks by Somali militants have grown more sophisticated and deadly. Over the weekend, al Shabaab's leadership said it was ready to send fighters to Yemen to counter any U.S. military attack there.

—Sarah Childress contributed to this article.

For U.S., success in Yemen lies in help from neighbors

[Capital Journal]

By Gerald F. Seib

To fully understand the predicament the U.S. faces in quelling the terrorist threat in Yemen, consider how Middle East analyst Jon Alterman describes the country: "Yemen," he says, "is like Haiti, with guns."

That is to say, it is an impoverished nation marked by lawlessness, a weak central government and competing power centers, made all the more dangerous because outside powers with ill intent are happy to arm them.

To the U.S., several hundred al Qaeda operatives based in Yemen are the problem that really matters. Yet for the government of Yemen, they are but one of multiple serious problems. The list includes an ethnic rebellion in the north, a secessionist movement in the south, declining oil revenues and even a shortage of water. "Fundamentally, for the government of Yemen, they don't think their biggest problem is al Qaeda," says Mr. Alterman, a former State Department official who now directs the Middle East Program at the Center for Strategic and International Studies.

That's the bad news. The good news is that Yemen also has a leader, President Ali Abdullah Saleh, who is one of the Middle East's great survivors and who seems willing to go after al Qaeda, if he can just get enough help to do so.

It isn't likely the U.S. can help him succeed all by itself, however. The keys to success in Yemen lie in not expecting a quick fix, and in devising a joint strategy with friends in the region, particularly neighboring Saudi Arabia.

Though some analysts have been sounding alarms about the al Qaeda threat in Yemen for months, it took a botched Christmas week airline bombing by a man apparently trained in Yemen to bring the threat home to most Americans. That, in fact, illustrates one root cause of the Yemen problem: Its troubles have been neglected by the U.S. and the international community because of a fixation on Iraq and Afghanistan.

Thus, President Saleh has been juggling his considerable problems with insufficient help. To put his situation in context, bear in mind that there are no retirement homes for former Arab leaders, because Arab leaders don't tend to retire peacefully. Instead, they survive by surviving in office, which usually means making accommodations with enemies and shifting sides when necessary.

President Saleh has held power in his frequently troubled land for 31 years by doing exactly that. He is a former military man who rose to become president of North Yemen while the nation was still divided into two parts, then helped engineer the merger of North and South Yemen in 1990.

In recent years, there's been little doubt that Islamic extremists have been eyeing his country as a base, particularly as they've been squeezed in Afghanistan and in Saudi Arabia next door. Islamists attacked the USS Cole in a Yemeni port in 2000, and have hit the U.S. embassy in Yemen five of the past six years. Islamic extremists have inspired untold numbers of Yemeni men to head off to fight in Afghanistan.

Though President Saleh now is criticized in some quarters for failing to take on the mushrooming al Qaeda network earlier, that critique misses two critical realities. First, the more immediate danger to his rule has been the armed rebellion by Houthi tribesmen in the north, who want autonomy and appear to be getting at least some arms from Iran in their fight for it.

The second reality is that in Yemen, as in Afghanistan, there is considerable tribal and familial sympathy with Islamic operatives. Osama bin Laden's father hailed from Yemen, after all. And while the government has jailed Islamic extremists in recent years, it's also watched many escape in two mass jail breaks, apparently mounted with the help of sympathizers within the Yemeni security services.

The key point is that President Saleh is at least willing to try to take on al Qaeda, particularly now that it looks more like a threat to him, not only to others outside Yemen. Suddenly, he also has the world's attention.

He needs military help, and is about to get more of that from the U.S., which just announced a doubling of security aid to Yemen. But bolstering President Saleh will require more than that. He needs development aid, and wants help gaining entry into the World Trade Organization, which would give him both a tangible and symbolic boost.

Yet America's understanding of the intricacies of Yemeni politics is decidedly limited, meaning Washington needs guidance on what to do and how to do it right. The key partner on that front is Saudi Arabia, a neighbor with a complicated, sometimes paternalistic relationship with Yemen.

The U.S. wants intelligence help from Saudi Arabia in identifying terrorist threats, and needs for Saudi Arabia and other Persian Gulf allies to embrace President Saleh in a show of fraternal Arab support. U.S. and Saudi officials say they are talking, extensively, about how to do such things. Certainly the Saudis have every reason to help stabilize Yemen; an estimated 2,000 to 3,000 Yemenis try to cross the border into Saudi Arabia illegally every day.

But don't expect miracles. "If you want to fix the problems of Yemen," says a senior Saudi official, "you have to take a long-term approach."

WORLD NEWS

Turbulence marks the global outlook

Among issues to watch—a renewed fight against terror, the Afghanistan surge, trade with China and mounting debt

By John Bussey

Expect many of the big headlines in world affairs in 2010 to be written by Washington—sometimes to the chagrin of other nations, and some Americans, too.

Barack Obama may at times be among the latter. The president has a big domestic agenda still to tend and faces Congressional elections in November. Troubling distractions from abroad can be just that—distractions.

Nonetheless, Mr. Obama, like George W. Bush before him, may find himself subsumed in important events overseas this year. Here's a list of some of the bigger ones to watch for:

Getty Images

A U.S. Marine takes up a fighting position during the start of a July operation to take areas in southern Afghanistan used by Taliban fighters as a supply route.

Terror

The Christmas Day attack on a Northwest Airlines flight will be remembered as coming staggeringly close to success—thwarted only by the failure of the chemicals smuggled on board to explode. The alleged terrorist, a Nigerian with a U.S. visa, overcame European and U.S. intelligence and security and nearly killed all aboard.

Efforts to track and overcome that threat are already gathering new energy, and public opinion is likely to fuel the moves. Nations will set new security at airports, tighten no-fly lists, and focus on new sources of extremist activity, such as Yemen and Somalia. Recent new evidence of homegrown extremism in Western nations, especially the U.S., is likely to fire this resolve.

Afghanistan

The U.S. and its allies are under pressure to show results in the eight-year conflict. The U.S. is putting more than 30,000 additional troops into the theater this year, pushing its total contingent to about 100,000. Several allies—the U.K., Poland, France and South Korea, among others—have also said they will increase their commitments.

The full-throated debate over whether this is the right strategy will continue. Would the better option be to employ a much smaller fighting force focused just on uprooting al Qaeda and its sympathizers?

Not too far away, the U.S. is drawing down its troop levels in Iraq. War-weary electorates in the U.S. and many other nations are wondering why the same isn't the case in Afghanistan.

Iran

So much for diplomacy—Iran has continued its nuclear-development program, despite entreaties from much of the international community. The U.S. and Europe have threatened sanctions, and the deadlines have passed. Now what? What does an effective sanctions program look like? Will enough nations support it? Wouldn't Iran's porous borders thwart it? And is there enough enforcement capability globally, or even in the U.S., to keep companies from doing business with the country?

The U.S. may wait to see if Iran's own internal unrest—a dissident movement that has found its voice—changes Iran's political dynamic, and America's choices.

Watching just as closely: Israel, which not long ago flew practice bombing missions out over the Mediterranean, about the same distance as it is from Israel to Iran's nuclear sites.

Sovereign debt

Economies are growing again, which is good news, but the financial crisis that rocked the world is far from over.

A stiff shot of adrenaline to the heart kept the global economy pumping, but now all the bills for that stimulus and those bailouts are coming due. And the budget books—from Asia to Europe to the U.S.—aren't looking good. Deficits are soaring. Banks are still ailing. Unemployment is still high. And all this is on top of huge national debt that many nations amassed during the robust times.

Japan, Eastern Europe, the U.S. dollar—even as things get better, there's still plenty of opportunity for painful surprises.

China

China's growth has given it new heft internationally, and the country seems ever more willing to flex its vocal chords, especially when blaming the U.S. for the last two years of global economic tumult. This year may bring some new tests to the relationship.

China is still a bicycle economy, pedaling hard to generate enough jobs for the crowds of rural migrants who each year seek a better life in the cities. The ruling politburo fears unrest, and few things stir unrest more than unemployment. A big chunk of China's economic success depends on clear channels of trade with the U.S., and now trade spats are on the rise. Tires, steel—the list is growing.

If unemployment in the U.S. remains high, and growth sluggish, watch nascent protectionism in Congress pick up steam. So far, the Obama administration has backed away from declaring China a currency manipulator, even though the country all but pegs its yuan to the dollar. But 2010 is an election year, with hot contests in many manufacturing states. The language, and the trade policy, could change.

Global regulation

The last two years of economic crisis, brought on in part by a familiar episode of Banks Gone Wild, fueled new urgency among the G-20 nations to rethink how the world does business—or at least how financial institutions get regulated.

Everything from executive pay to proprietary trading to how banks manage risk is on the table for review. So far, there's been more talk than action. But that's not for lack of interest. The U.S. Congress is busy on its financial regulatory revamp. Expect 2010 to bring more regulation globally—for better or worse.

Deficit, budget woes need solutions as U.S. is nearing the precipice

[The Outlook]

By Mark Whitehouse

The Obama administration has a lot to wish for in 2010, including a new health-care system and a sustainable economic recovery. But even if those wishes come true, policy makers face an even bigger problem in the new year and beyond: convincing the world that the U.S. government can get its finances back in order.

Economists have long fretted about how an aging population and growing health-care costs will cause the U.S. budget deficit and public debt to balloon—an outcome that could wreak financial havoc by undermining confidence in the U.S. dollar. But the latest recession and related stimulus efforts have made the problem more acute, a point four prominent economists made Sunday at the annual meeting of the American Economic Association.

"We've moved closer to the precipice, and the precipice has moved closer to us," Alan Auerbach, an economist at the University of California, Berkeley who has focused on U.S. government finances for about 15 years, said in an interview. The other three panelists at a session on the deficit—Robert Barro and Martin Feldstein of Harvard University, and Tom Sargent of New York University—agreed that the situation is dire.

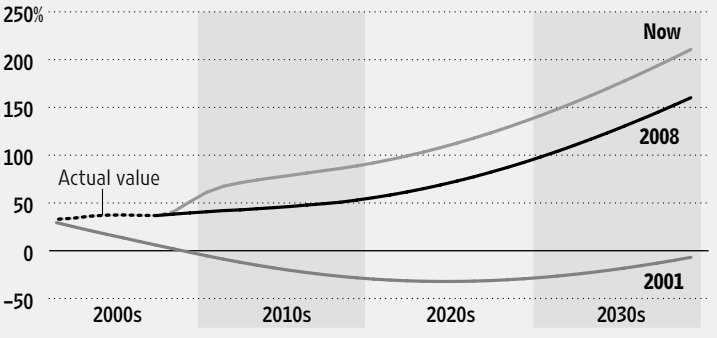
The Obama administration expects the federal budget deficit to add up to more than $10 trillion through 2019, or about 6% of the decade's gross domestic product, a broad measure of economic activity. Under those forecasts, Mr. Auerbach estimates, by 2026 the U.S. public debt will exceed 108.6% of GDP—a record it set in 1946. To make matters worse, the "trust funds" the government has set aside to pay Medicare and Social Security benefits will be exhausted in 2017 and 2037, respectively, after which a big chunk of benefits will have to be paid from current taxes.

That's a significant change from earlier estimates of only a couple years ago, and a sharp contrast to the beginning of the decade. In spring 2008, based on pre-recession projections and the fiscal policies of President George W. Bush, Mr. Auerbach expected the public debt to break its 1946 record by 2033. The Medicare and Social Security funds were expected to last through 2019 and 2041. In January 2001, back when the government was running a budget surplus, the U.S. was expected to be virtually debt-free by 2009.

The year 2026 might seem a long way off. But the U.S.'s growing debts can come home to roost much sooner if markets lose confidence in the government's ability to get them under control—a lesson that developing economies, such as Russia, have learned at great cost. If investors balk at buying the Treasury bonds the government issues to cover its deficits, they could force it to slash spending arbitrarily and provoke a spike in interest rates that would strangle the economy.

Darkening future

Over the past decade, the outlook for U.S. government finances has deteriorated sharply. Projections* for the U.S. public debt as a share of annual economic output from March 2001, June 2008 and now.



*Based on the budget policies of the administrations in power at the time.
Source: Alan Auerbach, University of California, Berkeley

"At some point, if the U.S. does not address proactively its deficit outlook and its debt outlook, there will be a financial-market revolt," says Roger Altman, chairman of investment firm Evercore Partners and an assistant Treasury secretary in the late 1970s. Mr. Altman says that while he doesn't expect such a revolt to happen in the next couple years, "if we let this go past 2012, we're playing with fire."

To be sure, other countries have carried larger debt burdens without suffering the market's wrath. Japan, for example, has a net public debt that exceeds 100% of GDP. One thing that makes the U.S. different, though, is its heavy dependence on borrowing from foreign investors, such as China. As Chinese Prime Minister Wen Jiabao noted last year with characteristic understatement, those investors are getting "a little worried."

President Barack Obama's budget director, Peter Orszag, has said that the White House recognizes the urgency of the problem and will offer concrete plans with its next budget in February. Meanwhile, the Senate Budget Committee has floated the idea of a bipartisan commission that would make recommendations to Congress on how to cut the deficit.

The U.S. can't cut its deficits immediately, lest it snuff out a nascent economic recovery. But even attempts to set the right course will require large and politically unwieldy sacrifices. Economists estimate that to pay down its debts in the long term, the U.S. government needs to cut spending or raise taxes by a total of as much as 9% of GDP. That's about twice what the government currently spends on national defense.

On the revenue side, some recommend increasing taxes on consumption, a move that would have the added benefit of encouraging Americans to save. On the spending side, Medicare and Social Security would likely have to take the brunt of the cuts.

Given the vehement opposition any measure would likely encounter, economists aren't optimistic they'll happen anytime soon. Beyond that, their effect on the broader economy is hard to predict. Higher taxes and lower spending could hinder growth, or they could usher in an era of renewed prosperity as people and companies feel more confident about investing and expanding.

In any case, the changes will happen. The only question is how deep the pain will be.

Associated Press

E-readers were on display at in the Chinese pavilion at the Book Fair in Frankfurt last October. China is forecast to see e-reader sales jump to three million in 2010 from 800,000 in 2009.

Outlook for electronic books in China appears bright—once big hurdles are cleared

Publishing firms are wary of providing content when piracy is rampant, device prices remain high

By Juliet Ye

HONG KONG—As makers of electronic-book readers jockey for position in the U.S., Japan and Europe, a similar but more challenging effort is unfolding in China.

World-wide, about four million electronic-book reading devices were sold last year. The number is expected to jump to 12 million in 2010 and 18 million in 2012, predicts the U.S.-based market intelligence firm iSuppli Corp.

China is forecast to see e-reader sales jump from 800,000 in 2009 to three million in 2010, making up of 20% of the global market, according to a recent report by research firm DisplaySearch. The company goes on to forecast that China will surpass the U.S. to become the world's largest e-reader market before 2015, by virtue of its large population.

"It's still too early to talk about the market scale, but the China market is a highly potential one due to the large user base," said Zhang Yanan, an analyst from Beijing-based research firm Analysys International.

But the China market faces considerable challenges. Most e-readers there—manufactured mainly by local players—can get expensive for the average Chinese consumer. While bare-bones models can be had for less than 1,000 yuan (about $150), in some cases more-advanced models with handwriting recognition, card readers, WiFi access and greater access to online libraries can cost as much as 3,000 yuan.

By contrast, in the U.S., **Amazon.com** Inc.'s Kindle reader and **Barnes & Noble** Inc.'s Nook are $260, while Sony Corp.''s smallest e-book reader is $200.

Amazon sells books in China through its Amazon.cn site but it doesn't offer its Kindle reader in China. Nor does Sony sell its device there. Piracy and revenue-sharing issues make China a daunting market for outside companies in the industry. Also, Beijing has strict regulations and licensing process on e-businesses, said You Yunting, a copyright lawyer in Shanghai.

A lack of content plagues China's e-reader makers. The rampant piracy makes providing content a difficult business. According to the China E-Book Market Devel-

Founder Group

Founder WeFound e-book reader
Launched October 2009
Price 4,800 yuan (about $700)
Screen Size 6 inches diagonally
Storage capability 4 gigabyte SD card
Other features 3G capable

'More competitors are going to the e-reader market, and I figure that there will be 50 to 100 players competing in 2010,' says Liu Yingjian, founder of Hanwang Science.

Hanwang

Hanwang e-reader N618
(3G e-reader)
Launched December 2009
Price 3,380 yuan (about $495)
Screen Size About 6 inches diagonally
Storage capability 4 gigabyte SD card
Other features Handwriting (with an electronic stylus), WiFi-capable

opment Report, jointly released by Chinese e-book portal du8.com and industry tracker CBBR, 95% of China's digital readers download unauthorized works from the Web.

"Publishers are reluctant to work with [makers of e-book readers] due to the current situation of intellectual-property protection in China, and the online payment awareness level among Chinese digital readers is still pretty low," said Ms. Zhang of Analysys International.

With content still lacking in China, some manufacturers load up the devices with books, at added cost. E-book content sales in China remains small—totaling just 226 million yuan, or about $33 million, as of the end of 2008, according to the China E-Book Market Development Report.

Amazon and Barnes & Noble boast of having hundreds of thousands of e-book titles available to download in the U.S., most for $9.99, but the companies don't disclose their e-book sales.

In China, local manufacturers dominate the market for e-book readers and more are expected to pile in.

Beijing-based **Hanwang Science & Technology** Co. is No. 1 by sales, according to Analysys, and sold 200,000 e-readers since its September 2008 debut. It sold about 500,000 units last year and expects to sell more than two million in 2010.

In September, Hanwang Science released a 3G e-reader capable of connecting with **China Mobile** Ltd.'s network, a feature that enables users to access the Internet to download books. Users can write Chinese characters on the e-reader screen with an electronic stylus, said Liu Yingjian, founder and chairman on Hanwang.

"More competitors are going to the e-reader market, and I figure that there will be 50 to 100 players competing in 2010. But we are very confident of being No.1 in the market," Mr. Liu said.

China Mobile is also working with contract manufacturers including **Datang Telecom Technology** Co. and **Hon Hai Precision Industry** Co. to produce e-readers devices.

Hanwang pre-installs a number of books into its e-readers, mostly classics and booklets of historical works. The company also runs its own online library, Hanwang Library, but it has only 30,000 books available for download at present. To broaden its base, Hanwang gives its e-readers the ability to support a large number of e-book formats, so users can buy books from a range of suppliers.

Hanwang is also working closely with publishers at home and abroad to expand its online library. In November, Hanwang said its plan to offer 80% of revenue to content providers to attract copyright owners.

In October, Beijing's **Founder Group** Inc., which offers Chinese e-books online, launched its branded e-reader product called WeFound.

The Kindle-like reader includes a cellular connection and incorporates Founder's own e-book software. Company officials, who say they developed their reader independently of the Kindle, expect to sell up to one million of the devices in 2010. Founder Group also says it plans to expand its online store.

Founder Group's Apabi e-book subsidiary launched an e-book site together with search site **Zhongsou.com**, aiming to build world's largest online library of Chinese books. Founder's WeFound reader, at 4,800 yuan, is expensive even by Western standards, but the price includes a three-year service package with Internet access and access to its Apabi's library of 600,000 book titles, plus daily news updates.

Bazaar: Korea

What they're buying at Asia's gadget emporiums

The place Lotte Mart, Joong-gu, Seoul

The goods Cuchen Humidifier MHS-U2201A

The specs This compact, egg-shaped humidifier is intended to tap the market for those who might suffer dry sinuses, chapped lips or sore throats but would rather not have a boxy contraption underfoot. Its top cylinder, which lets out mist, can be turned into a artificial-flower vase for summer months when the humidity makes a humidifier useless. It emits two liters of water per fill and can run 20 hours straight on "rhythm mode." A LED lamp above the button alerts you when water tanks reaches empty.

Cuchen

The price 67,900 South Korean won (US$58)

The deal The humidifier isn't easily available in Korea's popular online shopping malls, which usually offer more bargain prices. It is also largely sold in big electronics chains, where the prices are fixed.

—Jaeyeon Woo

Ford

Ford's Mark Fields, shown in Los Angeles in December, had his deputies survey departments about their use of internal reports so they could kill or reduce under-utilized ones.

Rewards for extra work come cheap

With raises scarce, managers get creative

By Dana Mattioli

Facing a deadline to deliver software to a customer, **Rockwell Collins** Inc. manager Jenny Miller persuaded 20 engineers to work Thanksgiving weekend. Her only lures were free lunch and $100 gift cards.

Ms. Miller's feat is part of a daily struggle for managers now: figuring out how to squeeze more work from lean, recession-battered staffs.

As the U.S. economy tentatively recovers, chief executives are trying to ramp up growth, but not hiring. The economy grew 2.2% in the third quarter and layoffs have slowed, but companies continue to shed jobs. And employers are hiring at their slowest pace since the Bureau of Labor Statistics began tracking in 2000.

Managers can't rely on the traditional carrots of raises or promotions. Employers plan meager 2.8% raises in 2010, after 2% bumps in 2009, according to consulting firm Towers Watson. And the static job market, which includes older workers who have delayed retirement as well as younger employees unable to find better opportunities elsewhere, hasn't created many openings for managers to award promotions.

At companies from Rockwell Collins to **Ford Motor** Co. and **Sanofi-Aventis** SA, managers are reaching deep into their toolbox to coax more productivity from salaried, nonovertime staffers. They're unleashing a bevy of cheap rewards, such as praise, thank-you notes and gift cards. They're also scrutinizing employees' duties to nix unnecessary tasks, freeing staffers for higher-impact work.

Rockwell Collins laid off 8% of its work force, or 1,600 people, last January. As business has stabilized, the aerospace electronics company, based in Cedar Rapids, Iowa, has started to hire again, but slowly.

Ms. Miller manages 170 engineers in the commercial systems engineering unit, which makes computer systems for flight decks. She says on a per-person basis, her employees' workload has increased by about 15% over the past year.

The challenge is "stretching me in ways I never had to" before, she says.

Some employees balk at working longer hours without extra pay. Ms. Miller has been able to give gift cards but not raises; Rockwell Collins had a salary freeze in effect until December. Ms. Miller tries to assure employees the extra hours are temporary and tells them "when the market turns around we'll be better positioned because of the effort," she says.

Many engineers had been working long hours in November to make the Dec. 1 deadline to finish testing flight-deck software, but Ms. Miller still feared they wouldn't finish on time.

The company decided against work on Thanksgiving Day itself, but Ms. Miller emailed the department seeking volunteers to work Friday—a company holiday—Saturday or Sunday. About 20 people signed up, despite not being paid overtime or getting compensatory days off. They met the deadline, and got the $100 gift cards.

Without the ability to give raises over the past 12 months, Steve Nieuwsma, a Rockwell Collins division vice president, has given out twice as many gift cards as last year, ranging from $25 to $500. "It's not so much the money," he says. But he believes employees appreciate "the fact that someone walked up to them and said, 'Thank you, you did a good job.'"

Cheap recognition is a well-utilized currency at many companies. Craig Chiulli, who supervises 90 managers and salespeople in Ohio for Sanofi-Aventis, emails employees to recognize even small accomplishments, and copies higher-ups. After the drug-maker shed 10% of its U.S. sales force this year, his employees are handling more work per person, he says.

He recalls emailing one salesman who had landed a meeting with a potential new customer, telling him how much his "extra efforts" were appreciated.

He copied his vice president and plans to introduce the two in January.

Managers are also scrutinizing employees' tasks to prioritize higher-impact work. At Ford's Americas division, President Mark Fields asked his deputies in early 2009 to scour employees' routines for "discretionary work." They surveyed departments about their use of internal reports, and killed or reduced under-utilized ones. For instance, a "report card" on Ford's market share, costs and quality performance now goes out quarterly instead of monthly.

With staffs lean, "there's more prioritizing—you can't stuff 10 pounds of flour in a five-pound sack," Mr. Fields says.

Associated Press

Some managers who can't give raises give gift cards to recognize extra efforts.

Career Opportunities

CAREERS

bpmigas

CNOOC SES Ltd.

CAREER OPPORTUNITY

CNOOC SES Ltd, a subsidiary company of CNOOC Ltd., is a major oil company based in Indonesia is currently looking for an immediate employment of:

Senior Head of Engineering & Construction (Expatriate)

Within its Exploitation Department to manage the engineering and construction resources to support the operation of approximately 100 offshore facilities in the South East Sumatra offshore block.

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The Biggest Losers

Happy New Year, readers, but before we get on with the debates of 2010, there's still some ugly 2009 business to report: To wit, the Treasury's Christmas Eve taxpayer massacre lifting the $400 billion cap on potential losses for Fannie Mae and Freddie Mac as well as the limits on what the failed companies can borrow.

The Treasury is hoping no one notices, and no wonder. Taxpayers are continuing to buy senior preferred stock in the two firms to cover their growing losses—a combined $111 billion so far. When Treasury first bailed them out in September 2008, Congress put a $200 billion limit ($100 billion each) on federal assistance. In February of last year, the Treasury raised the potential taxpayer commitment to $400 billion. Now the limit on taxpayer exposure is, well, who knows?

The firms have made clear that they may only be able to pay the preferred dividends they owe taxpayers by borrowing still more money . . . from taxpayers. Said Fannie Mae in its most recent quarterly report: "We expect that, for the foreseeable future, the earnings of the company, if any, will not be sufficient to pay the dividends on the senior preferred stock. As a result, future dividend payments will be effectively funded from equity drawn from the Treasury."

The loss cap is being lifted because the government has *directed* both companies to pursue money-losing strategies by modifying mortgages to prevent foreclosures. Most of their losses are still coming from subprime and Alt-A mortgage bets made during the boom, but Fannie reported last quarter that loan modifications resulted in $7.7 billion in losses, up from $2.2 billion the previous quarter.

The government wants taxpayers to think that these are profit-seeking companies being nursed back to health, like AIG. But at least AIG is trying to make money. Fan and Fred are now designed to lose money, transferring wealth from renters and homeowners to overextended borrowers.

> Behind the Christmas Eve taxpayer massacre at Fannie and Freddie.

Even better for the political class, much of this is being done off the government books. The White House budget office still doesn't fully account for Fannie and Freddie's spending as federal outlays, though Washington controls the companies. Nor does it include as part of the national debt the $5 trillion in mortgages—half the market—that the companies either own or guarantee. The companies have become Washington's ultimate off-balance-sheet vehicles, the political equivalent of Citigroup's SIVs, that are being used to subsidize and nationalize mortgage finance.

This subterfuge also explains the Christmas Eve timing. After December 31, Team Obama would have needed the consent of Congress to raise the taxpayer exposure beyond $400 billion. By law, negative net worth at the companies forces them into "receivership," which means they have to be wound down.

Unlimited bailouts will now allow the Treasury to keep them in conservatorship, which means they can help to conserve the Democratic majority in Congress by increasing their role in housing finance. With the Federal Reserve planning to step back as early as March from buying $1.25 trillion in mortgage-backed securities, Team Obama is counting on Fan and Fred to help reflate the housing bubble.

Ed Haldeman

That's why on Christmas Eve Treasury also rolled back a key requirement of the 2008 bailout—that Fan and Fred begin shrinking the portfolios of mortgages they own on their own account, which total a combined $1.5 trillion. Risk-taking will now increase, so that the government can once again follow Barney Frank's infamous advice that the companies "roll the dice" on subsidies for affordable housing.

All of which would seem to make the CEOs of Fannie and Freddie the world's most overpaid bureaucrats. A release from the Federal Housing Finance Agency that also fell in the Christmas Eve forest reports that, after presiding over a combined $24 billion in losses last quarter, Fannie CEO Michael Williams and Freddie boss Ed Haldeman are getting substantial raises. Each is now eligible for up to $6 million annually.

Freddie also has one of the world's highest-paid human resources executives. Paul George's total compensation can run up to $2.7 million. It must require a rare set of skills to spot executives capable of losing billions of dollars.

Where is Treasury's pay czar when we actually need him? You guessed it, Fannie and Freddie are exempt from the rules applied to the TARP banks. The government gave away the game that these firms are no longer in the business of making profits when it announced that the CEOs will be paid entirely in cash, though it is discouraging that practice at other big banks. Who would want stock in the Department of Housing and Urban Development?

Meanwhile, these biggest of Beltway losers continue to be missing from the debate over financial reform. The Treasury still hasn't offered its long-promised proposals even as it presses reform on banks that played a far smaller role in the financial mania and panic. Senate Banking Chairman Chris Dodd (D., Conn.) and ranking Republican Richard Shelby recently issued a joint statement on their "progress" toward financial regulatory reform, but their list of goals also doesn't mention Fannie or Freddie.

Since Mr. Shelby has long argued for reform of these government-sponsored enterprises, their absence suggests that Mr. Dodd's longtime effort to protect Fan and Fred is once again succeeding. It would be worse than a shame if, having warned about the iceberg for years, Mr. Shelby now joins Mr. Dodd in pretending that these ships aren't sinking.

In today's Washington, we suppose, it only makes sense that the companies that did the most to cause the meltdown are being kept alive to lose even more money. The politicians have used the panic as an excuse to reform everything but themselves.

The Real Blackwater Scandal

No, not as the left would have it, that Blackwater still exists. The scandal is that the Justice Department's case against five former security guards for the military contractor unraveled late last week in what appears to be another instance of gross prosecutorial misconduct, as abusive Justice lawyers went after an unsympathetic political target.

The indictments—which were thrown out by D.C. District Judge Ricardo Urbina in a derisive and detailed 90-page opinion—stemmed from a 2007 firefight in Baghdad's Nisour Square that left 14 Iraqis dead and others wounded. The government contends that five Blackwater guards, who were providing tactical support for the State Department after an IED exploded in the vicinity of a meeting with Iraqi officials, went on an unprovoked killing spree against unarmed civilians. The guards maintain that they came under attack by insurgents and were responding in self-defense to a mortal threat.

Judge Urbina dismissed the charges because prosecutors misused sworn statements the guards were compelled to make to investigators after the shooting, under the threat of job loss. This was routine practice under military contracting rules, though the statements could not be used in criminal prosecutions. Promptly after the Nisour incident these statements were also leaked to the media, which ran with the narrative of modern-day Hessians gone berserk.

"In their zeal to bring charges against the defendants in this case," Judge Urbina ruled, prosecutors had violated Fifth Amendment protections against self-incrimination by using these compelled statements to formulate their case and ultimately obtain indictments against the guards. The judge calls it "the government's reckless violation of the defendants' constitutional rights."

> Another example of prosecutorial abuse in a political case.

Because of prior contact with the compelled statements, the Justice Department's entire criminal division had recused itself from the case, which was handed over to national-security prosecutors and later to Assistant U.S. Attorney for the District of Columbia Kenneth Kohl. The veteran Justice public-integrity lawyer Raymond Hulser was eventually assigned to lead a "taint team" to rebuild the case without using the off-limits statements, and he repeatedly warned the trial team that their evidence was "thoroughly tainted."

"By all accounts these prophylactic measures fell well short of expectations," Judge Urbina notes with some understatement. In "direct contravention of the clear directives" of Mr. Hulser, the statements were used to obtain a search warrant against Blackwater, figured into plea discussions, and exposed in testimony to the grand jury, forcing Justice to withdraw the case and present it to a new panel.

In the second round that featured redacted testimony from the first grand jury, prosecutors also excised what Judge Urbina calls "substantial exculpatory evidence." The judge goes on to say that Justice's "inconsistent, extraordinary explanations" for its conduct "smack of post hoc rationalization and are simply implausible," and ultimately "lacking in credibility."

Certainly the shootings at Nisour are a tragedy that strained U.S. relations with the Iraqi government, though the details seem reminiscent of the 2005 incident at Haditha, which the Washington political class played as another My Lai massacre but in reality was the product of the complex, asymmetrical combat conditions in a war zone. The courts martial against all but one of the Marines at Hadit

ha have been dismissed or collapsed.

In this case, too, one question is whether prosecutors felt they could get away with such abusive behavior because Blackwater was such a politically unpopular defendant. The firm had political ties to Republicans, and Democrats and their media allies had made Blackwater a whipping boy to further undermine public support for the Iraq war. (Blackwater is now renamed Xe Services and no longer contracting in Iraq.)

This marks the fourth recent example in which judges have tossed out cases citing Justice Department abuse involving easy political targets. In the last year it has become clear that the ethics conviction against former Alaska Senator Ted Stevens was likely a miscarriage of justice, with prosecutors covering up evidence and trying to keep a witness from testifying.

There's also the vendetta against two former executives at Broadcom in the forgotten political uproar over backdating stock options. That case was thrown out last month after a judge ruled that prosecutors had improperly pressured witnesses and leaked information to the press. Earlier this decade, a federal judge tossed out multiple tax evasion cases against former KPMG partners.

Something is rotten in the culture of Justice, leading ambitious government crusaders to think they can get away with flouting due process when the political winds are blowing hot. Congress and the press corps may be too politically implicated to police this prosecutorial malpractice, so it may be up to the judiciary to apply more stringent sanctions.

Comments? The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

OPINION

Intelligence Is a Terrible Thing to Waste

[Information Age]

By L. Gordon Crovitz

Intelligence about terror threats rarely comes on such a silver platter: A Nigerian banker went to the U.S. Embassy in Lagos to warn that his son had fallen under "the influence of religious extremists based in Yemen" and was a security risk. This came after months of U.S. intelligence intercepts about al Qaeda plans for an attack using a Nigerian man. Umar Farouk Abdulmutallab paid for his ticket with cash and didn't check any luggage.

Yet a headline in the Washington Post summed up the current state of our intelligence: "Uninvestigated Terrorism Warning About Detroit Suspect Called Not Unusual."

President Obama promises to investigate what went wrong, but there's no big mystery. He should simply review testimony put in the public record in early December, before the Christmas Day incident. Sen. Joe Lieberman's Homeland Security Committee heard an explanation of how U.S. intelligence agencies decide when to put suspected terrorists on a watch list or a no-fly list.

Timothy Healy, the head of the FBI's Terrorist Screening Center, explained the unit's "reasonable suspicion" standard like this:

"Reasonable suspicion requires 'articulable' facts which, taken together with rational inferences, reasonably warrant a determination that an individual is known or suspected to be or has been engaged in conduct constituting, in preparation for, in aid of, or related to, terrorism and terrorist activities, and is based on the totality of the circumstances. Mere guesses or inarticulate 'hunches' are not enough to constitute reasonable suspicion."

If this sounds like legalistic language, it is. Indeed, a quick Web search was a reminder that this language is adapted from *Terry v. Ohio*, a landmark Supreme Court case in 1968 that determined when Fourth Amendment protection against unreasonable searches allows the police to frisk civilians or conduct traffic stops. In other words, foreign terrorists have somehow now been granted Fourth Amendment reasonableness rights that courts intended to protect Americans being searched by the local police. Thus was Abdulmutallab allowed on the airplane with his explosives.

Getty Images

The difference between law-enforcement procedures and preventing terrorism could not be clearer. If a well-respected banker takes the initiative to come to a U.S. embassy in Nigeria to report that he thinks his son is a terrorist, we expect intelligence officers to make "hunches," such as that this person should have his visa reviewed and be searched before getting on a plane. Information is our defense against terrorism, but evidence of terror plots is often incomplete, which is why intelligence requires combining facts with hunches.

The result of prohibiting hunches was that Abdulmutallab was waved through. Information about suspected terrorists flows into a central Terrorist Screening Database, which is then analyzed by the Terrorist Screening Center, where FBI agents apply the "reasonable suspicion" standard to assign people to various watch lists including "selectee" lists and the "no-fly" list. It's at this point where an approach based on domestic law enforcement trumps prevention, undermining the use of information.

Aside from concluding that we are misapplying a reasonableness test, the Abdulmutallab investigation likely will conclude that information in the databases of the National Security Agency, CIA and State Department weren't properly mined to connect dots. His name went onto the list of 400,000 people who might have links to terror, but not the list of 14,000 subject to multiple screenings before boarding an airplane or the list of 3,400 people who are not permitted to fly.

The Obama administration has leaned toward treating terrorism as a matter for domestic law enforcement, such as trying terrorists in civilian courts instead of in military tribunals. But this legalistic culture also undermined intelligence in the Fort Hood case in November. The FBI knew that Maj. Nidal Malik Hasan had been exchanging emails with a Yemen-based imam with ties to the 9/11 hijackers. The agency, operating by the standards of domestic law enforcement instead of applying information to prevention, surmised that the "content was explainable by his research" and failed to warn the Army of its potential risk.

In contrast, British authorities last May denied Abdulmutallab the right to re-enter the United Kingdom, where he had been president of an Islamic Society while in college. In Britain, domestic intelligence is the job of M15, which unlike the FBI has no power to arrest or responsibility for criminal prosecutions. Instead, it is free to focus on gathering intelligence, making hunches and preventing wrongdoing. The British ban on Abdulmutallab didn't require any FBI-like "reasonable suspicion" test.

After 9/11, the key political issue that went unresolved was what Americans expect from their intelligence agents. We send the mixed message that we want them to prevent attacks, but only if they operate under strict restrictions based on rules crafted for domestic law enforcement.

We have a choice. We can limit how information is used or we can allow smart use of information to prevent attacks. If we continue to choose to limit how information can be used in our defense, we shouldn't be surprised when our defenses fail.

The Long Search For a Quick Fix

[Bookshelf]

59 Seconds
By Richard Wiseman
(Knopf, 320 pages, $24)

By Frank Gannon

For all those who are tired, or simply wary, of the usual self-help formula—homespun anecdotes, upbeat platitudes, over-the-top promises—Richard Wiseman's "59 Seconds" would seem to be just what the Ph.D. ordered. The idea is appealing: survey the field of academic psychology and mine its research for ways of actually achieving goals, winning friends and finding happiness. Mr. Wiseman, a British professor of "the public understanding of psychology," read hundreds of studies from every area of the behavioral sciences. He found a promising pattern in many aspects of life, "from mood to memory, persuasion to procrastination, resilience to relationships." Indeed, he found "a new science of rapid change" able to produce results "in minutes instead of months."

A University of California study, involving more than a quarter-million participants, "discovered impressive benefits of being happy." OK, fair enough. But how to arrive at this blissful condition? Mr. Wiseman's reading of the research suggests a range of strategies, such as "wearing more colorful clothing" and "talking in a more relaxed way." When others are speaking, nod your head often, he says, and when it's your turn, use "positively charged emotional words" (like *love* and *fond*) and vary the pitch of your voice. When you walk, swing your arms slightly and put some spring in your step. It all sounds rather simple, if not simplistic, but Mr. Wiseman assures us that "incorporating these behaviors into your everyday actions will enhance your happiness." The studies don't say what others might think of such a perky, perambulating person—but the word pesky comes to mind.

But maybe we worry too much about what others think. A Cornell study of the psychology of embarrassment—which I like to think of as the Barry Manilow T-shirt experiment—suggests as much. Subjects were required to enter a room wearing a T-shirt featuring a large picture of Mr. Manilow, the crooner whose hits may induce as much wincing as swooning. Although 50% of the T-shirted subjects were self-conscious about what they were wearing, only 20% of the people in the room even noticed it. This experiment yielded the reassuring result that individuals are more aware of their gaffes—from flubbing an answer at an interview to having a bad hair day—than most of the people observing or talking to them.

As for increasing "attraction" and improving relationships, it turns out that sincerity may not always be the best strategy.

Could the findings of behavioral science make life better?

Pointing to academic studies, Mr. Wiseman suggests that one way to be found more attractive is to "fake a genuine smile." He explains: "Initial work suggests that smiles that take longer to spread over a person's face (more than half a second) are seen as very attractive, especially when accompanied with a slight head tilt toward a partner." The briefest touch on someone's upper arm, accompanied by a request or compliment, is likely to make the touchee want to help you and even find you attractive. Of course this is a technique, as Mr. Wiseman warns, best used cautiously; there could be a fine line between the briefest of touches and a restraining order.

According to Mr. Wiseman, research shows that the benefits of writing about one's feelings far outweigh those of merely talking to caring friends or even to professionals—because the solitary discipline of writing facilitates "getting in touch with your inner-perfect self." He recommends, in addition to the obvious task of keeping a diary, several other writing exercises, including the composition of your own eulogy—exactly what you hope your best friend would choose to say about you when the occasion eventually arises.

One of the odder findings in Mr. Wiseman's survey involves the usefulness of the placebo effect. He cites experiments in which "people exposed to fake poison ivy developed genuine rashes, those given caffeine-free coffee became more alert, and patients who underwent a fake knee operation reported reduced pain from their 'healed' tendons." (Say again—"fake knee operation"?) And how is this of any help?

Mr. Wiseman points to an experiment that monitored the health and activity of two groups of hotel attendants (that is, housekeepers) with roughly equal workloads and lifestyle habits. One group was made constantly aware of how many calories it burned by simply doing its labor-intensive work—implanting the idea that "wow, your job involves lots of exercise." Over time that group (and not the other) saw improvements in its body mass index and blood pressure even though it was doing nothing differently. Mr. Wiseman concludes: "By reminding the attendants of the amount of exercise that they were getting on a daily basis, the researchers altered the attendants' beliefs about themselves, and their bodies responded to make these beliefs a reality." The larger lesson is that being aware of an effort may help to bring about its effect.

It's easy to make fun even of a self-help book with such academic credentials: The understanding of human relations and happiness—not to say of humanity itself—can seem so shallow and the limits of social science to achieve quick cures so manifest. Yet who ever went wrong by smiling too much? Or adopting a jaunty stride? Besides, if "59 Seconds" fails to change its readers' lives, it may at least improve their cocktail-party conversation. We learn, for example, that the top-rated speed-dating line for men is: "If you were on a hit show, who would you be?" For women: "If you were a pizza topping, what would you be?" Just remember to smile and tilt your head when you say it.

Mr. Gannon writes for The New Nixon.

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OPINION

Uncertainty and the Slow Recovery

By Gary S. Becker, Steven J. Davis, and Kevin M. Murphy

Chad Crowe

In terms of U.S. output contractions, the so-called Great Recession was not much more severe than the recessions in 1973-75 and 1981-82. Yet recovery from the latest recession has started out much more slowly. For example, real GDP expanded by 7.7% in 1983 after unemployment peaked at 10.8% in December 1982, whereas GDP grew at an unimpressive annual rate of 2.2% in the third quarter of 2009. Although the fourth quarter is likely to show better numbers—probably much better—there are no signs of an explosive take off from the recession.

We believe two factors are behind this rather tepid rebound. An obvious one is the severe financial crisis that precipitated this recession, with many major financial institutions receiving large bailouts from the federal government. The confidence of bankers and venture capitalists has been shattered, at least for a while, and it will take time for them to recover. The household sector also faces a difficult period of financial retrenchment in the wake of a major collapse in home prices, overextended debt positions for many, and high unemployment.

The second factor is less obvious, but possibly also of great importance. Liberal Democrats won a major victory in the 2008 elections, winning the presidency and large majorities in both the House and Senate. They interpreted this as evidence that a large majority of Americans want major reforms in the economy, health-care and many other areas. So in addition to continuing and extending the Bush-initiated bailout of banks, AIG, General Motors, Chrysler and other companies, Congress and President Obama signaled their intentions to introduce major changes in taxes, government spending and regulations—changes that could radically transform the American economy.

The efforts to transform the economy began with a fiscal stimulus package of nearly $800 billion. While some elements served the package's stated purpose and helped to soften the recession's impact, the overall package was not well designed to foster a speedy recovery or set the stage for long-term growth. Instead, the "stimulus" was oriented to sectors that liberal Democrats believe are deserving of much greater federal help. This explains why much of the money is going toward education, health, energy conservation, and other activities that would do little to soak up unemployed resources and stimulate the economy.

Other government proposals created greater uncertainty and risk for businesses and investors. These include plans to increase greatly marginal tax rates for higher incomes. In addition, discussions at the Copenhagen conference and by the president to impose high taxes on carbon-dioxide emissions must surely discourage investments in refineries, power plants, factories and other businesses that are big emitters of greenhouse gases.

Congressional "reforms" of the American health delivery system have gone through dozens of versions. The separate bills passed by the House and Senate worry small businesses, in particular. They fear their labor costs will increase because of mandates to spend much more on health insurance for their employees. The resulting reluctance of small businesses to invest, expand and hire harms households as well, because it slows the creation of new jobs and the growth of labor incomes.

The administration also indicated early on that it would take a different approach to antitrust policy, reversing a 30-year trend toward more consumer-based interpretations of antitrust laws. Likewise, the installation of a pay "czar" in Washington is scary, even though his activities are so far confined to companies that received substantial bailout assistance from the Treasury. Perhaps as a next step, Congress will decide that executive pay is too high generally and levy special taxes on bonuses, or impose other controls over executive compensation—as the British and French have done. Congress is also considering major new regulations on consumer financial products.

In its efforts to combat the financial crisis and recession, the Fed created over $1 trillion of excess reserves at banks through various bailout programs and open market operations. When banks draw on these reserves for loans to businesses and households, there is a potential for the money supply to grow rapidly, possibly producing substantial inflation. How hard the Fed will fight inflationary pressures through open market sales and other actions that raise interest rates is a significant source of uncertainty about future inflation and about the potential for monetary policy tightening to choke off the recovery.

The uncertainty about monetary policy has important political dimensions as well. The Fed now faces greater political pressures than at any other time in the past quarter century, as seen from the grilling the Senate Banking committee gave to Fed Chairman Ben Bernanke in deciding whether to approve his reappointment. These pressures may intensify greatly if, and when, future Fed actions to restrain inflation conflict with politicians' desires to prop up housing and the major government enterprises enmeshed in housing finance.

Even though some of the proposed antibusiness policies might never be implemented, they generate considerable uncertainty for businesses and households. Faced with a highly uncertain policy environment, the prudent course is to set aside or delay costly commitments that are hard to reverse. The result is reluctance by banks to increase lending—despite their huge excess reserves—reluctance by businesses to undertake new capital expenditures or expand work forces, and decisions by households to postpone major purchases.

Several pieces of evidence point to extreme caution by businesses and households. A regular survey by the National Federation of Independent Businesses (NFIB) shows that recent capital expenditures and near-term plans for new capital investments remain stuck at 35-year lows. The same survey reveals that only 7% of small businesses see the next few months as a good time to expand. Only 8% of small businesses report job openings, as compared to 14%-24% in 2008, depending on month, and 19%-26% in 2007.

The weak economy is far and away the most prevalent reason given for why the next few months is "not a good time" to expand, but "political climate" is the next most frequently cited reason, well ahead of borrowing costs and financing availability.

Government statistics tell a similar story. Business investment in the third quarter of 2009 is down 20% from the low levels a year earlier. Job openings are at the lowest level since the government began measuring the concept in 2000. The pace of new job creation by expanding businesses is slower than at any time in the past two decades and, though older data are not as reliable, likely slower than at any time in the past half-century. While layoffs and new claims for unemployment benefits have declined in recent months, job prospects for unemployed workers have continued to deteriorate. The exit rate from unemployment is lower now than any time on record, dating back to 1967.

* * *

These facts suggest that it was a serious economic mistake to press for a hasty, major transformation of the U.S. economy on the heels of the worst financial crisis in decades. A more effective approach would have been to concentrate first on fighting the recession and laying solid foundations for growth. They should have put plans to re-engineer the economy on the back-burner, and kept them there until the economy emerged fully from the recession and returned to robust growth. By failing to adopt a measured approach to economic policy, Congress and the president may be slowing the economic recovery, and thereby prolonging the distress from the recession.

The authors are economists at the University of Chicago. Messrs. Becker and Murphy are also fellows of the Hoover Institution of Stanford University. Mr. Davis is also a visiting scholar at the American Enterprise Institute.

A New Year's Message for Beijing

By Joseph Sternberg

Hong Kong

As protests go, the pro-democracy march here on New Year's Day wasn't the biggest the territory has ever seen. Organizers claimed 30,000 participants, far short of the record 500,000-person antigovernment rally in 2003. The protest ended peacefully and no repeat is imminent.

But for the authoritarians in Beijing, the event offered an uncomfortable glimpse of their worst nightmare. Hong Kongers are again demonstrating that the bargain the Communist Party is trying to strike with the public, in Hong Kong and throughout China, isn't as sturdy as the Party had hoped.

That deal is that the Party will deliver prosperity in exchange for the populace tolerating authoritarian rule—the bread and circuses social compact. Whenever Beijing's autocrats harp on the importance of "harmonious development," they are trying to persuade people that without Communist rule the country would descend into chaos and poverty.

If that deal works, it should work nowhere so well as Hong Kong. Per capita income is just over $31,000 as of 2008, according to the World Bank, roughly 10 times that of mainland China. Hong Kongers flaunt their prosperity: There are nine Prada stores here compared to only four in New York, to cite one example. The Hong Kong government, and by extension Beijing, has effectively co-opted the business community. Companies get privileged influence over leaders—a committee of only 800 members elects the chief executive, and a sizable proportion of those represent business interests. Rare is the tycoon who speaks up in favor of democracy.

So it will have come as an unpleasant jolt to Party leaders in Beijing that this prosperity and sway over the elites wasn't enough to keep 30,000 people out of the streets of Central District on an overcast public holiday. The rally's stated purpose was to protest the government's latest supposed roadmap for universal suffrage. Released in November, the document represents an attempt to stall democratic progress by tinkering with the way legislators are elected, while still controlling selection of the chief executive via a nominating committee.

Then there are all the accompanying mismanagement issues that naturally come with an unelected, unaccountable government. The New Year's protesters included groups angry at a proposal to build a high-speed rail line that, at a stunning 67 billion Hong Kong dollars ($8.6 billion) for the 23 kilometers of track within the territory, will not appreciably reduce travel times to downtown Guangzhou. China's Christmas Day sentencing of mainland dissident Liu Xiaobo to 11 years in prison for his activism—and the subsequent rough handling of Hong Kong protesters at the China border—also rankle.

Beijing has tried to reduce such flash points as best it can. The suffrage proposal was cloaked in such bureaucratese and complexity it seemed calculated to thwart efforts to get people worked up about it. Mr. Liu was sentenced on Christmas Day, when all those prosperous Hong Kongers ought to have been treating themselves to well-earned vacation time instead of following the news.

Yet clearly Beijing is concerned that the strategy might not be working. Chinese President Hu Jintao last week said Hong Kong chief executive Donald Tsang should "appropriately and effectively deal with political development to maintain Hong Kong's harmony and stability."

Sensing public discontent with all this, Hong Kong's democrats are trying to force the suffrage issue. Five legislators are planning to resign by the end of the month, which would trigger by-elections. Proponents of this strategy say it would become a de facto referendum on suffrage. Others support killing the proposal in the legislature to try to force the government to construct a better document.

The New Year's protesters won't succeed in overturning Hong Kong's government, let alone China's. They probably won't even succeed in winning improvements on Beijing's disingenuous proposals to "increase" democracy in the territory. But they have sent a message anyway. Bread and circuses aren't enough to tamp down democratic aspirations after all.

Mr. Sternberg is an editorial page writer at The Wall Street Journal Asia.

IN DEPTH

More brokers in the U.S. flee big companies and take retail investors with them

Independent advisers' ranks grow as clients get nervous after the collapse and sale of several large firms

By E.S. Browning

INDEPENDENT FINANCIAL ADVISERS are gaining ground from Wall Street brokers in the competition to manage more than $5 trillion in Americans' savings.

The ranks of brokers at major Wall Street firms have been shrinking, along with those firms' share of the retail-investing market. At the same time, independent advisers are growing in number and market share.

The financial turmoil of the past 18 months is fueling the shift. Shaken by the collapse of some Wall Street firms and the tarnished reputations of others, more big-firm brokers are breaking away to manage money on their own, taking clients with them.

Eric Thurber and two associates, who oversaw $740 million at Morgan Stanley Smith Barney, set up their own business in August. Many clients followed them.

After the collapse of Lehman Brothers in the fall of 2008, Mr. Thurber says, "we realized that we could be at risk" even at a major firm.

Boston research firm Cerulli Associates last year projected that brokers leaving major firms would take $188 billion in client accounts with them in 2009, the first year Cerulli has tried to measure that movement of money. Cerulli expects the trend to continue this year.

Other data suggest that big firms saw money flow out in 2008, too. Financial statements from the biggest brokerage firms, including **UBS** AG and **Bank of America** Corp.'s Merrill Lynch Wealth Management, show a collective net outflow in 2008 of about $20 billion in client money, counting both money removed by departing brokers and money withdrawn by clients whose brokers didn't leave. Those figures reflect client actions, not market gains and losses.

The big firms say they are poised to rebound and that they wanted to push out many of the departing brokers because they weren't bringing in as much profit as others. "The majority of departures have been people with below-average revenue production," says a spokeswoman for Morgan Stanley Smith Barney.

Major Wall Street firms still handled 48% of the money from individual investors under management at the end of 2008, while independent advisers handled 19%, according to Cerulli. But Cerulli forecasts that by 2012, the big-firm share will be down to 41%, while the independent advisers' share will be more than 23%. The balance of the money is managed by smaller brokerage firms, insurance companies and banks.

The number of brokers serving individual clients at major firms fell 14% to fewer than 55,000 in the three years ending in December 2008, while the number of independent financial advisers rose 29% to 33,000, Cerulli Associates says.

Mr. Thurber, the Morgan Stanley Smith Barney broker who jumped ship, says he hadn't considered a change until Lehman collapsed and he saw friends at that firm suffer. His employer then was Smith Barney, which hadn't yet merged with **Morgan Stanley** and was part of **Citigroup** Inc., whose stock was plunging. He and his two colleagues, whose brokerage-firm salaries were well into the six figures, manage money for entrepreneurs and venture capitalists in Silicon Valley.

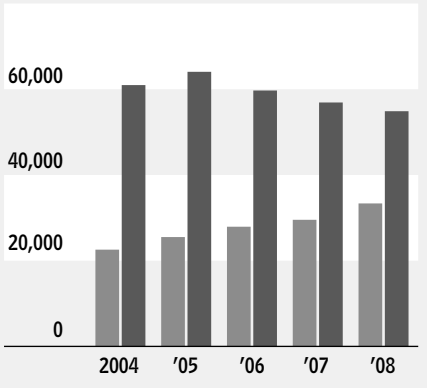
They secretly planned their move for nine months before they left. Mr. Thurber recalls a tense debate in the dining room of one of his partners about whether they could afford to abandon their salaries and bonuses.

"It certainly gave each of us pause about whether it made sense for us to walk away," he says. Initially, the cost of starting and running a business would reduce their incomes, he says. In the longer run, he says, "we did the analysis that, counting equity in our new firm, if we did all the hard work, it would be worth it."

At their new firm, **Three Bridge Wealth Advisors** in Menlo Park, Calif., they are free of certain constraints, Mr. Thurber says. At big brokerage firms, brokers can sell only financial products approved by their firms. Independent advisers face no such restrictions.

Breaking away

The ranks of independent financial advisers have been growing.



Source: Cerulli Associates

A Morgan Stanley spokeswoman says that turnover among brokers overseeing larger amounts of money "is at historic lows."

Not all brokers leaving major firms are going it alone. Independent firms say they're seeing an uptick in interest from big-firm brokers.

"We are receiving unsolicited résumés from senior people" at major brokerage firms, says Steven Giacona, founder of wealth-advisory firm **Round Table Services** in Westfield, N.J., which oversees about $700 million. "I have been talking to people who never imagined they would be talking about these things. But these events have put them and their clients in a situation where they feel they need to make a change." So far, he says, he has hired one big-firm broker.

Brokerage firms are fueling the movement by pushing out lower-volume brokers. A typical strategy is to cut compensation, a process known as putting brokers "in the penalty box." Lower producers who had been taking home 40% of their fees and commissions might be told they now will keep only 20%. Their realistic choices: boost revenues, move to a smaller firm or go independent.

Tim Noonan, who faced a compensation cut as a broker in Merrill's Atlanta office, left in February 2009 with most of his clients. He formed Noonan Capital Management with about $40 million in client money, he says.

Mr. Noonan says he didn't like being pressed to boost revenues. He also didn't like working in a system where he was paid more to put his clients into stocks than into certificates of deposit. At his own firm, he charges clients a flat percentage of money under management, no matter how it's invested.

"I wanted to own my own business, create my own value," he says. "I can will it to my children. I can sell it."

Independent advisers have a powerful ally in the competition with big firms: discount brokerage firms.

Independent advisers need someone to conduct trades, store securities, keep track of client accounts and perform other back-office jobs. The discount-brokerage operations of **Charles Schwab** Corp., **Fidelity Investments** and **TD Ameritrade Holding** Corp., among others, have built big businesses doing those things for independent advisers. As the trend toward independence grows, the discounters are redoubling efforts to persuade brokers to go independent.

Tom Cantillon leads a group in Schwab's New York office that urges brokers to go independent and bring their business to Schwab. He and his people phone brokers at their offices, sometimes early in the morning or at night in hopes the brokers will pick up directly. Mr. Cantillon says he asks: "Have you ever considered a different model for your business?"

Discount firms are using emails, seminars and junk mail to lure brokers into independence. They offer free help with paperwork, free software, and reduced-cost or free trades during the transition period. If breakaway brokers aren't comfortable creating their own businesses, the discount firms will help them, for no charge, find existing independent financial firms that want new associates.

Schwab held workshops around the country last year to show brokers how to go independent. Fidelity hired a senior executive from Morgan Stanley to handle its business with independent advisers, including attracting them from brokerage firms. In the first three quarters of 2009, Fidelity says, breakaway brokers brought it more than $6 billion in new money to be managed, equaling the amount it received in all of 2008.

Brian Doe left Merrill in 2009, urged on by Schwab recruiters. Before the financial crisis hit, he and his clients liked being at a big, established firm, Mr. Doe says. After Merrill teetered and was sold to Bank of America, Mr. Doe, a nine-year Merrill veteran who managed more than $50 million for 90 clients, rethought his position.

"The day that a company of that tenure and stature can get sold off to a bank over a weekend is a little disconcerting to someone at my career level," says Mr. Doe, who

is 42 years old. "I was spending a lot of time explaining what the firm was doing, at a time when the market was down and people's portfolio values were careening."

Unhappy to see Merrill cutting support staff, he began speaking with others in the business and discovered that the man who had helped him start at Merrill had founded his own firm, Atlanta's **Gratus Capital Management**. Mr. Doe joined Gratus in February 2009.

Steven Schwalb, a client, says he was happy with Mr. Doe but wary of the hassle of moving his money from Merrill. His mortgage-banking business was chaotic and he was helping care for newborn twins, so he didn't follow Mr. Doe to Gratus.

"We had a lot going on in our lives, so the last thing we wanted to do was upset anything else," he says. "We weren't really sure it was the right move for us to go to a smaller company."

But he says he didn't develop as good a relationship with his new Merrill broker, so he got back in touch with Mr. Doe and moved his money to Gratus. At Gratus, Mr. Schwalb says, he has access to a wide range of mutual funds and other investments, with lower commission costs than at big brokerage firms. The Schwalbs pay Mr. Doe an annual fee to monitor their finances, including advising them on all investment and financial-planning decisions.

A Bank of America spokeswoman says clients are benefiting from the Merrill acquisition, internal surveys indicate that they are satisfied, and "we continue to attract and retain highly successful advisers."

Some banks are trying to take advantage of the changes. The brokerage arm of **Wells Fargo** & Co., which acquired Wachovia Securities in late 2008, is offering brokers who want to go independent the chance to work with it on a contract basis, even if they are former Wells Fargo brokers. They sell financial products through Wells Fargo's trading desk but operate as independent businesses. Wells Fargo now works with about 1,000 independent advisers.

Officials at other brokerage firms say the shift toward independent advisers is something they can reverse. Many brokers are more comfortable staying at big firms, which take care of product support and back-office issues. Big firms say they are retaining brokers they want to keep, notably those who handle wealthier investors.

"I think that we have capabilities in this business to be able to do things for clients that the boutiques will just not be able to do," Robert McCann, chief executive of UBS's U.S. brokerage arm, said at a recent conference.

Some in the brokerage business argue that the Madoff Ponzi-scheme scandal will frighten clients of smaller firms, pushing them toward brand-name brokerage firms.

(Top to bottom) Three Bridge Wealth Advisors; Associated Press

Brett Sharkey, Eric Thurber and Fred Molfino, who oversaw $740 million in business at Morgan Stanley Smith Barney, left in August to set up Three Bridge Wealth Advisors in Menlo Park, Calif.

They also say that if money managers face new regulation, as has been discussed, smaller firms might be less well-equipped to deal with the burden.

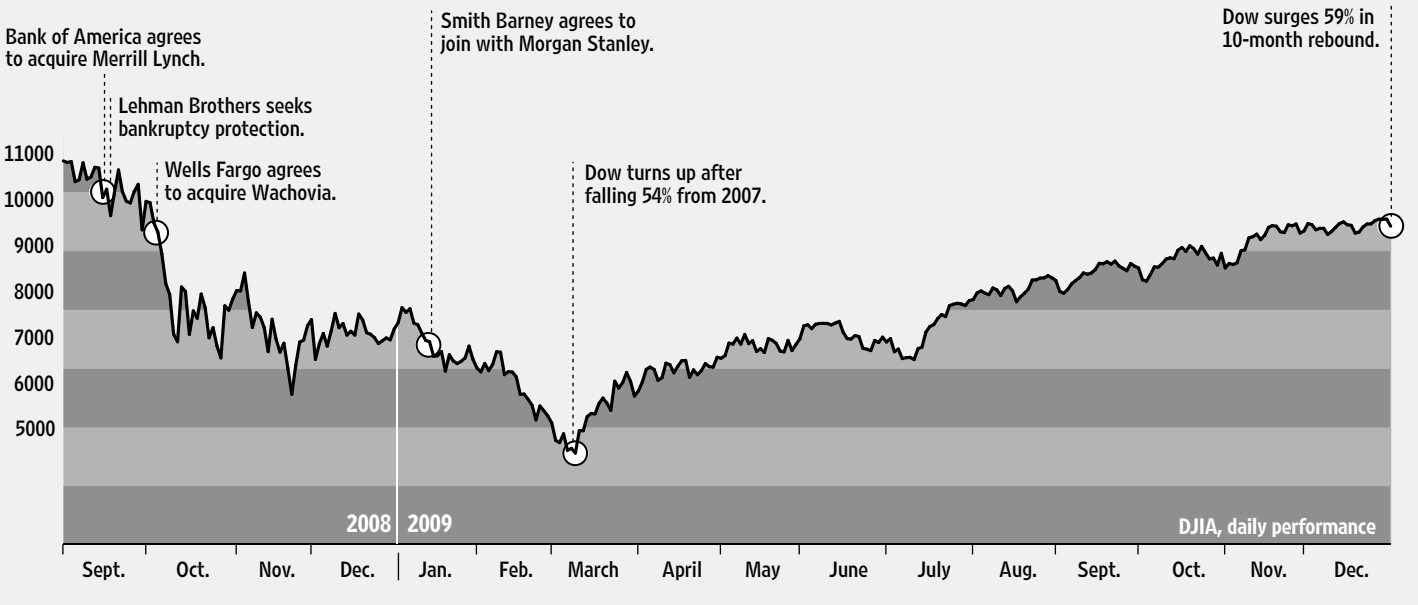
That doesn't appear to be diminishing interest among brokers contemplating change.

Ralph Courage, a broker in Norfolk, Va., left UBS to set up an independent firm in 2008. "I have received many calls from top investment folks at brokerage firms around the country," he says, "who have heard that we have made this move, saying, 'We would really like to do this and tell me all about it.' "

Major Wall Street firms handled 48% of the money from individual investors under management at the end of 2008, while independent advisers handled 19%, according to Boston research firm Cerulli Associates. The number of brokers serving individual clients at major firms fell 14% to fewer than 55,000 in the three years ending in December 2008, while the number of independent financial advisers rose 29% to 33,000.

Climate change

More brokers went independent amid changes at big brokerage firms and financial-market turmoil.



Source: Dow Jones Indexes

FROM PAGE ONE

Strong Asia recovery points to new policy

Continued from first page
the index registered above 50, a level that indicates growth.

That confirmed the findings of a similar index Friday from the National Bureau of Statistics and the China Federation of Logistics and Purchasing. That index showed manufacturing activity expanding for the 10th consecutive month, to 56.6 in December from 55.2 in November.

Together they indicate that China's economy has resumed its previously fast growth rates amid considerable government-led stimulus programs.

Across the straits, the HSBC PMI for Taiwan rose to 58.7 in December from 58.4 a month earlier, its 10th straight month of increase.

"Perhaps the most encouraging news," in HSBC's view, was the sharp rise in a subcomponent of the Taiwan index that measures new export orders.

"Like elsewhere in Asia, most notably in Korea, strong demand from emerging Asian countries continues to fuel the island's exports recovery," HSBC wrote in a research note.

Data released on New Year's Day showed South Korean exports—considered a gauge of global demand—grew 33.7% December from a year earlier. On Monday, HSBC's PMI for Korea edged up to a seasonally adjusted 52.8 in December, from 52.6 in November.

HSBC said Monday's PMI data don't support the case for a rate increase this month, noting that "pricing power for Korean firms hasn't returned yet and that worries over inflationary pressures are overdone."

In India, HSBC data showed that manufacturing activity rose to 55.6 in December from 53.0 in November, its fastest growth since May. Output, new business and employment—the three largest components of the Indian index—all grew in December.

Not all of Monday's data were rosy: HSBC's PMI for Australia showed that manufacturing activity fell slightly in December as production, new orders and input deliveries all dropped. The Australian PMI was down 2.7 points to 48.5, falling below the 50-point line that separates expansion from contraction.

The Reserve Bank of Australia was one of the first central banks to rein in its easy monetary policy as the country's economy recovered, raising interest rates three times in recent months.

Several other countries are beginning to feel significant price pressures as their economies recover, though probably not enough to prompt their central banks to begin tightening monetary policy yet.

In Thailand, consumer prices rose 3.5% in December from a year earlier, up from 1.9% in November and 0.4% in October. The rise in core CPI—which strips out energy and food costs—was less alarming, rising 0.2% from a year earlier.

The core rise was below the central bank's target range between 0.5% and 3.0%, making it likely that the Bank of Thailand will keep its policy rate on hold at 1.25% at its Jan. 13 meeting.

Bank Indonesia also is considered unlikely to raise rates when it meets Wednesday, especially after the December CPI came in below forecast Monday, rising 0.33% from November and 2.78% from a year earlier.

—J.R. Wu in Beijing, In-Soo Nam in Seoul, James Glynn in Sydney, Alex Pevzner and Crystal Hsu in Taipei and Abhrajit Gangopadhyay in New Delhi contributed to this article.

Manufacturing activity in U.S. gains steam

By Kathleen Madigan And Jeff Bater

The U.S. manufacturing sector finished 2009 on a high note, helped by improving production and ordering activity, according to data released Monday by the Institute for Supply Management.

Separately, U.S. construction spending fell more than expected in November, pulled lower by the housing and commercial sectors as the recovering economy deals with high unemployment.

The ISM's manufacturing purchasing managers' index rose to 55.9 last month from 53.6 in November. December's reading was above the 54.0 forecast by economists surveyed by Dow Jones Newswires. Readings above 50 indicate expanding activity.

"The manufacturing sector grew for the fifth consecutive month in December as the PMI rose to 55.9, its highest reading since April 2006 when it registered 56," said Norbert Ore, who directs the survey for the ISM.

The ISM's new-orders index increased to 65.5 last month from 60.3 in November, while the production index rose to 61.8 from 59.9. Both indexes suggest orders and output were increasing strongly in December.

Factory employment also showed gradual improvement. The index stood at 52.0 in December, up from 50.8 in November. Economists expect total December payrolls to show little change when government data are released Friday.

The inventory index increased to 43.4 from 41.3 in November. Steep inventory drawdowns subtracted from real gross-domestic-product growth for most of the recession. Economists are expecting restocking to have added strongly to GDP growth in the fourth quarter of 2009.

Price pressures showed some uptick. The prices index increased to 61.5 in December from 55.0 in November.

In the U.S. construction sector, meanwhile, spending fell 0.6% in November from the prior month to a seasonally adjusted annual rate of $900.08 billion, the Commerce Department said Monday. Year over year, spending was down 13.2% from November 2008.

Economists surveyed by Dow Jones Newswires estimated outlays would decline 0.2% in November.

Spending in November on residential construction projects fell 1.6% to $258.9 billion. Year over year, residential spending was 19% below the November 2008 level.

Commercial construction fell in November. Outlays on nonresidential projects decreased 0.2%. Spending dropped for hotels, office buildings, roads and schools. Year over year, spending for commercial construction was down 10.9%, as office vacancy rates have climbed with unemployment.

Chinese evade U.S. sanctions arising from sales to Iran

Continued from first page
attempting to circumvent U.S. sanctions, we pursue those cases aggressively," says OFAC Director Adam Szubin in an interview. Overall, he says, the sanctions program makes it difficult for nuclear proliferators to do business in the U.S.

In June 2006, the U.S. banned CPMIEC and three other Chinese companies from conducting business in the U.S., citing their alleged sales of missile technology to Iran in defiance of previous sanctions. Two months later, a shipment of oil-drainage tanks from Shanghai landed at the port of Tacoma, Wash., bound for a New York City firm, **American Forge & Foundry** Inc. The shipper: a unit of CPMIEC, according to a shipping record known as a bill of lading.

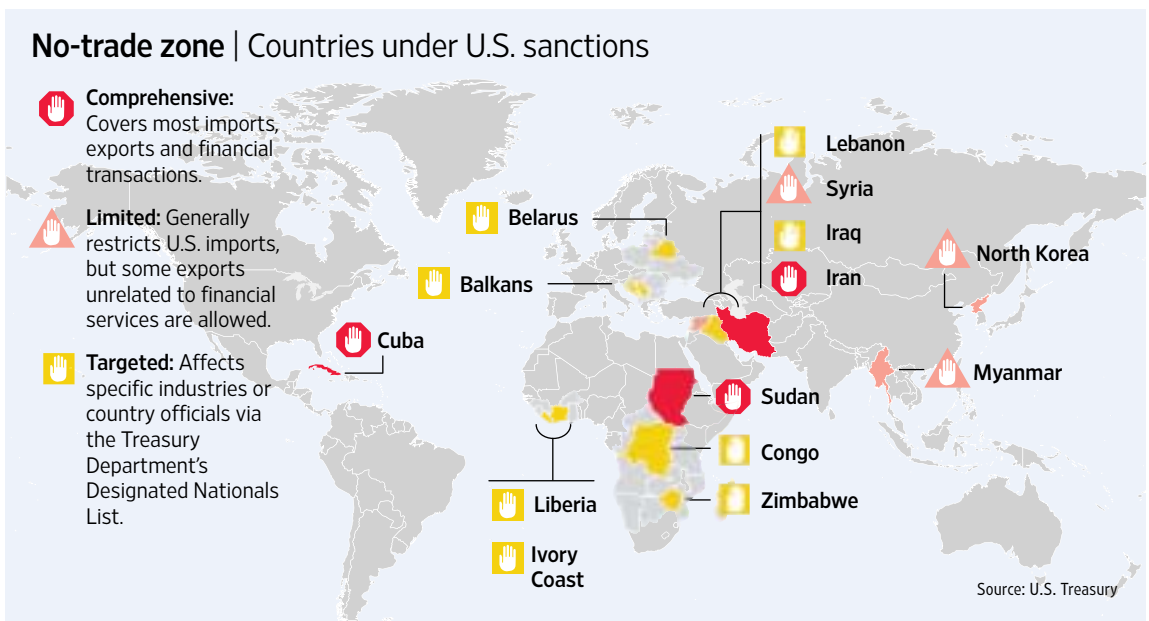
Officials at CPMIEC didn't respond to written questions from the Journal.

U.S. enforcement officials say it can be difficult for U.S. companies to avoid doing business with foreign companies and individuals under sanction. Problems with translating company names can be an issue, they say. Sanctioned companies also have proved adept at creating aliases or subsidiary shell companies to mask their ownership, they say.

"To the extent that a U.S. institution does process a transaction for a designated entity, those transactions tend to be inadvertent and are corrected quickly upon detection," says the OFAC's Mr. Szubin.

It is unlikely that most U.S. companies knowingly flout the import bans: Criminal penalties for doing so include prison time.

John Iliff, general manager of American Forge & Foundry, says the single shipment of oil-drainage tanks it received in 2006 from the CPMIEC unit set off no alarms. "Trading in illegal goods certainly never crossed our minds," he says.



The shipment came from China JMM Import & Export Shanghai Pudong Corp., which didn't appear on any sanctions list until Thursday. Records indicate the company shares an address and phone number with a CPMIEC unit that was previously banned: CPMIEC Shanghai Pudong Corp. The Treasury determined that the two companies are affiliated.

Faced with simple tweaks to company names, even large U.S. corporations with sophisticated procedures for screening vendors can end up doing business with sanctioned firms.

Greenlee Textron, a unit of **Textron** Inc., in 2008 and 2009 purchased hand-held pipe benders used by plumbers from Chinese firm Shanghai Kayama Industrial Co. Kayama hired China JMM to facilitate payment and shipping of those goods.

Textron spokesman Michael Maynard says Greenlee was unaware of China JMM's relationship to CPMIEC before receiving an inquiry from the Journal. He says none of the parties to the 14 shipments appeared on any U.S. lists of sanctioned companies.

Many companies rely on software that is supposed to alert users if a company is subject to sanctions. But China JMM didn't register a "hit" on the sanctions-screening software used by **Kohler** Co. of Kohler, Wis., according to a company spokesman. Until July 2009, Kohler purchased lawn-mower parts from a Shanghai firm that used China JMM as its export broker.

After Kohler was alerted last summer to China JMM's affiliation with CPMIEC, it "immediately halted all orders ... until our supplier found a new export broker," the spokesman says.

U.S. authorities have called CPMIEC a "serial proliferator." The U.S. first sanctioned the firm in 1991 and 1993 for selling short-range-missile technology to Pakistan. After passage of the Iran Nonproliferation Act in 2000, the company was sanctioned in 2002 and 2003 for missile-related sales to Iran.

The Chinese government, CPMIEC's owner, has objected to U.S. trade sanctions on nonproliferation grounds. "This kind of mistaken practice ... damages the atmosphere for Sino-American cooperation on nonproliferation, and is not beneficial to promoting international nonproliferation efforts," says Jiang Yu, a spokeswoman for China's Ministry of Foreign Affairs.

In 2006, **LIMMT Economic & Trade** Co., a Chinese seller of metallurgical products, was blocked from selling goods in the U.S. for allegedly selling high-strength metals and sophisticated military materials to Iran.

In April 2009, a New York grand jury indicted LIMMT and its owner, Li Fang Wei, for allegedly conspiring to evade that ban by using aliases, and the U.S. Treasury updated its sanctions list to include those aliases.

In 2006, Dalian Sunny Industry & Trade Co. sent seven shipments of steel parts to **Coastal Flange** Inc. in Houston. (The 2009 case established that Dalian was an LIMMT affiliate.) In 2007, the shipments began coming from Dalian Orient Pipe Components Co. Bills of lading reveal that Dalian Sunny and Dalian Orient share the same address and telephone number.

Officials at LIMMT, Dalian Sunny and Dalian Orient didn't return calls seeking comment.

Mark Mekeel, president of Coastal Flange, says U.S. prosecutors contacted him about his trade with Dalian, but told him he had done nothing wrong.

"Each day I'm pounded on email by offers from Chinese companies," he says. "But I'm not part of some scam. I'm just a guy trying to bring in some product."

Novartis seeks control of Alcon in pursuit of diversified business

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Four reasons to stay wary about the economy

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BUSINESS & FINANCE.

Tuesday, January 5, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Deal maker sees a revival in India

[ASIA DEAL JOURNAL]

By Amol Sharma

India largely sat out last year's Asian deal-making action. Asian merger-and-acquisitions volume fell 32% to $404.9 billion last year from 2008, but India's fell 52% to about $22.5 billion, according to Dealogic. A proposed $23 billion stake-swap between Bharti Airtel and South Africa's MTN Group faltered on regulatory issues. ***Reliance Industries****' roughly $12 billion bid for a controlling stake in petrochemical giant LyondellBasell is pending.*

Sameer Nath, who heads ***Citigroup****'s M&A arm in India, says big-ticket deals in the country—including multibillion-dollar cross-border acquisitions—could return in 2010. Excerpts from a recent interview:*

WSJ: How did last year's global economic environment affect M&A in India?

Mr. Nath: The trend over the past several years in India was big-ticket cross-border deals, but starting in the second half of 2008, we saw a break from that. There was a conscious change in the sentiment of Indian companies, where they were avoiding pursuing riskier deals abroad. That trend is beginning to reverse as we exit 2009, and maybe the Reliance Industries bid for LyondellBasell is a precursor to that.

WSJ: Will Indian companies be able to raise the money to finance huge overseas acquisitions, like Tata Steel's $13 billion acquisition of Corus in 2007?

Mr. Nath: The acquisition finance that will be available for Indian companies doing outbound M&A will be much better in 2010 than it was in 2009. Banks are talking to corporate clients. Conversa-

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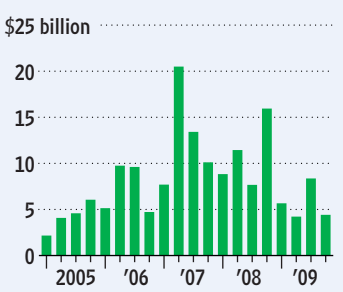
Time for rebound

India-targeted completed M&A volume by quarter, excluding debt



Source: Dealogic

GM unveils small car in India

Chevrolet Beat is aimed at helping local unit reach goal of 100,000 vehicle sales this year

By Nikhil Gulati And Rakesh Sharma

European Pressphoto Agency

GM India executives Sumit Sawhney, left, and P. Balendran introduce the Chevrolet Beat in Mumbai on Monday.

NEW DELHI—**General Motors** Co. expects its sales in India to exceed 100,000 vehicles in 2010, helped by the introduction of a small car in this expanding automobile market, the president and managing director of the U.S. auto maker's local unit said Monday.

General Motors India Pvt. Ltd. sold about 70,000 vehicles in 2009, Karl Slym said at the public launch of the new small car, the Chevrolet Beat, in advance of the New Delhi Auto Expo, which is scheduled to begin Tuesday. The Beat joins the Spark and Aveo U-VA small cars under the Chevrolet brand available in India.

Sales of cars and sport-utility vehicles were affected by a slowdown in the Indian economy in 2008, and the reluctance of many banks to lend for new purchases. However, sales started to recover in February after a slew of tax cuts by the Indian federal government and a reduction in interest rates.

"The world had a tough year last year. There was a recession, but GM in India came out of the recessionary period," Mr. Slym said. GM's Indian unit operates two car-manufacturing factories.

GM is among a number of foreign auto makers that see promise in the fast-growing market. India's car sales rose 61% in November to 133,687 vehicles from a year earlier, according to the Society of Indian Automobile Manufacturers.

The gain, amid government stimulus efforts, followed a decline in the year-earlier month. Manufacturers also are considering the country as a base for exports.

GM India makes seven vehicles in India under the Chevrolet name, including the Spark minicar, the Aveo and Cruze sedans and the Cap-

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As goes January, so goes the whole year?

By E.S. Browning

Associated Press

The New York Stock Exchange on Thursday

Starting this week, it is bellwether time for the stock market.

Historically, the first few trading days of January have been among the strongest for stock performance, because this is when individuals and pension plans add big chunks of new money to retirement accounts. Whether people follow their normal pattern and pump money into stocks in January can be a sign of the market's prospects for the coming weeks, and even for the entire year.

If stocks rise in January, they often finish the year strongly. If stocks are weak during this normally propitious time, they tend to do poorly in later weeks.

January was weak in both 2008 and 2009. In 2008, the Dow Jones Industrial Average fell another 30% in the following 11 months, marking one of the worst stock-market years on record. In 2009, the January decline was followed by an 18% plunge to a 12-year low in March. Only after that pain did stocks roar back.

This time, stocks already have gotten off to a disappointing start.

In normal years, investors try to front-run the expected January rise, and they bid stocks higher in late December. Since 1900, the Dow has risen a median 1% in the last five trading days of December, according to Ned Davis Research, more than four times the median rise for five-day periods in general. In the five final trading days of this December, however, the Dow actually fell 0.4%.

A bellwether month

The Dow's January performance often sets the tone for the entire year.

Dow in January	Median gain for the year
UP	+10.4%
DOWN	+0.3%

Note: 1900 to 2009
Source: Ned Davis Research

Now, investors are worrying about whether the December weakness will carry through into January. If so, it could augur poorly for 2010, or at least for the first months.

"Strong years for equities normally show investment buying early, with great upside momentum in January; most bad years start with down Januarys," says Phil Roth, chief technical market analyst at brokerage house Miller Tabak + Co., in a report on January's importance.

What analysts would like to see is a strong January rally on heavy volume, suggesting investors are pouring new money into U.S. stocks.

During much of the Dow's post-March rally, trading volume has been below average, suggesting many investors remain skeptical of U.S. stocks. If volume remains low in January, it would be a further indication of investor doubt.

The Dow began 2010 on a strong note; at midday Monday, it was up 159.76 points, or 1.5%, at 10587.81.

"I don't think we are going to see the best of Januarys, but perhaps better than we have seen" in recent years, says Bruce McCain, who helps

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CORPORATE NEWS

Novartis seeks full control of Alcon

Firm to pay Nestlé $28.1 billion for its stake in eye-care company, with plans to acquire the rest

By Anita Greil

ZURICH—**Novartis** AG aims to get full ownership of **Alcon** Inc. through the purchase of a 52% stake in the U.S. eye-care company from **Nestlé** SA and by buying out minority shareholders, in a deal that will bring the Swiss drug maker much closer to its goal of becoming a global health-care conglomerate.

Getting a strong foothold in the market for eye-care products is part of Novartis's strategy of branching out into fast-growing areas of health care to make up for slowing sales of branded prescription drugs. The Swiss group is also investing heavily to build its generic-drug and vaccine businesses, two sectors with double-digit annual sales growth.

If the deal goes through as planned, Novartis will have spent a total of $49.7 billion on Alcon, marking the biggest deal in Swiss corporate history, ahead of cross-town rival Roche Holding AG's purchase of biotechnology company Genentech for $46.8 billion last year.

Novartis, based in Basel, is paying Nestlé $28.1 billion, or $180 a share, in cash to bring its Alcon holding up to 77%. It plans to finance the deal through the issuance of up to $16 billion in debt, and from current cash. Pending regulatory approval, Novartis expects to conclude the deal in the second half of 2010. Novartis bought 25% of Alcon two years ago.

The Swiss drug maker also is proposing to take out Alcon minority shareholders by merging Alcon into Novartis in a share swap. Offering 2.8 Novartis shares for each Alcon share, this implies a price of $153 for each share held by the public. The merger requires approval by the boards of both companies, as well as two-thirds approval by shareholders of both companies.

Agence France-Presse/Getty Images

If the deal goes through as planned, Basel-based Novartis will have spent a total of $49.7 billion on Alcon.

Minority shareholders probably won't be pleased about being offered a lower price for their shares than Nestlé, and the independent directors representing them almost certainly will try to extract a higher price, analysts said.

But under Swiss takeover law—which applies in this case because both Alcon and Novartis are incorporated in Switzerland—Novartis has the upper hand. Once it buys Nestlé's 52% stake, the drug maker will be able to use its 77% Alcon stake to vote the merger through even if minority holders oppose the deal. Novartis Chief Executive Daniel Vasella told reporters Monday that he considers the offered price fair. In part, the price paid to Nestlé is higher, because it allows Novartis to gain control of Alcon, he said.

For its part, Alcon said in a statement that its independent directors are evaluating the offer, and noted that it represents a 15% discount to the price that Novartis is paying Nestlé. Alcon is known for its contact-lens solutions, but most of its $6.28 billion in sales for 2008 came from devices used in eye surgery and from medicines for eye diseases such as glaucoma.

Novartis expects to generate around $200 million in annual pretax cost synergies from owning 77% of Alcon, and a further $100 million should it succeed in obtaining full ownership of Alcon. Nestlé said it will use the proceeds from the deal to launch a 10 billion-Swiss-franc ($9.66 billion) share-buyback program later this year.

Hutchison Telecom says it may go private

By Lorraine Luk

HONG KONG—**Hutchison Telecommunications International** Ltd. said Monday its biggest shareholder, **Hutchison Whampoa** Ltd., has offered to take it private, the latest move for a telecom company that has sold or spun off its most profitable operations in recent years.

The telecom company, which is also in the process of selling some of its remaining emerging-market assets, halted its shares from trading after Monday's midday break.

In a filing with the Hong Kong stock exchange, Hutchison Telecom said it had received an approach from Hutchison Whampoa and an announcement of a possible offer "may be imminent."

Conglomerate Hutchison Whampoa is owned by Li Ka-shing, one of Asia's richest men.

Hutchison Whampoa's plans to take Hutchison Telecom private had been widely expected, as the telecom company has, in recent years, disposed of mobile-phone assets in India and Israel, and also spun off its profitable Hong Kong and Macau business.

Hutchison Telecom, which is 60.4%-owned by Hutchison Whampoa, has since been left with unprofitable operations in Thailand, Sri Lanka, Indonesia, and Vietnam.

In October, Hutchison Telecom sold its 51.3% stake in its Israeli unit, **Partner Communications** Co., to **Scailex** Corp. for US$1.38 billion in cash and debt. Partner was Hutchison Telecom's largest overseas asset. The unit contributed 87.5% of Hutchison Telecom's first-half revenue of 6.41 billion Hong Kong dollars (US$900 million).

"If Hutchison Whampoa takes the company private, it can take all the gains from the sale of the Israeli unit. Also, there's no point in keeping the company listed when it doesn't have that many operations left," said Ernie Hon, a strategist at ICBC International Securities.

As the prospect of going private looms, Hutchison Telecom is also working on selling some of its remaining assets. Last month, its Thai partner CAT Telecom approved in principle a plan to take over Hutchison Telecom's Thai business and assets.

Asahi and Carlsberg set Hong Kong pact

By Hiroyuki Kachi

TOKYO—**Asahi Breweries** Ltd. deepened ties with **Carlsberg** AS by signing a Hong Kong marketing pact with the Danish brewer, in its latest move aimed at boosting overseas sales amid weak domestic demand.

The Japanese brewer's pact comes ahead of the expected merger between rivals **Kirin Holdings** Co. and **Suntory Holdings** Ltd. this year. The resulting merged company is expected to become much larger than Asahi in sales terms, putting pressure on Asahi to forge new partnerships to compete.

Asahi said Monday it aims to double its Hong Kong sales by 2014 via the sales network of Carlsberg's local unit. Investors reacted favorably, pushing Asahi shares up 1.2%.

Asahi has sealed a number of international sales deals. It already sells its Super Dry beer in Russia through a Carlsberg affiliate.

Like other food-and-beverage makers in Japan, Asahi is working to raise its presence overseas amid Japan's weak economy and shrinking population. In 2009, Asahi's overseas sales accounted for about 5% of total sales, even after including its $774 million acquisition of Schweppes, **Cadbury** PLC's Australian drinks business. Asahi aims to raise the ratio to 20%-30% by 2015.

An Asahi spokesman said the latest accord is limited to a tie-up in Hong Kong. The pact allows broader marketing of its Super Dry beer at such places as restaurants. Asahi aims to raise its annual sales of the brand in Hong Kong to 350,000 cases by 2014, from 180,000 cases in 2008, the spokesman said.

—Ayai Tomisawa contributed to this article.

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Dubai hopes tower marks turning point

Emirate looks to raise business profile with world's tallest building

By Stefania Bianchi And Andrew Critchlow

DUBAI—The opening Monday of the Burj Khalifa, the world's tallest skyscraper, could mark a turning point in Dubai's fortunes and those of its ruler after a year that saw both come under intense scrutiny.

Sheik Mohammed bin Rashid al Maktoum, the city-state's 60-year-old hereditary leader, hopes the building and its surrounding $20 billion development will help enhance his reputation among international investors and restore Dubai's allure as a business hub.

The building stands at 828 meters, or 2,717 feet, high. Developer **Emaar Properties** hadn't disclosed the tower's final height until the opening ceremony, although most estimates had put it at 2,684 feet, far taller than Taiwan's Taipei 101, which had been the world's tallest skyscraper, at 1,670 feet.

The tower was slated to be called the Burj Dubai, but Sheik Mohammed said at the opening ceremony that it was being renamed after the president of the United Arab Emirates.

"I now officially announce the opening of the Burj Khalifa Bin Zayed," Sheik Mohammed said.

Leading analysts expect the project will boost Emaar's revenue by almost $1 billion in the first quarter as homes and offices in the skyscraper are delivered.

Saud Masud, head of research at UBS AG in Dubai, said the building will help the city to "stay in the limelight as home to a global landmark." Still, Mr. Masud forecasts that Dubai real-estate prices could drop a further 30% this year after falling 50% in last year.

> With Abu Dhabi's help, Sheik Mohammed has avoided financial disaster.

Dubai surprised markets on Nov. 25, saying it needed to freeze $26 billion of debt owed by one of its largest government-owned groups, Dubai World. That news triggered a slide in world markets and prompted many analysts to question the city's economic model of borrow and build. It is hoped that Burj Khalifa will redress the growing international perception of the emirate as an economic delinquent, instead of a role model for the Arab world.

The carefully choreographed opening ceremony coincided with Sheik Mohammed's four-year anniversary as ruler of the emirate.

The sheik, a passionate racehorse owner and published poet, was forced last year to turn to his oil-rich cousins in Abu Dhabi for financial assistance.

The call for help prompted many analysts to question whether Dubai would be forced to sell prized assets to Abu Dhabi and surrender elements of its autonomy in order to pay its debts.

But, with Abu Dhabi's support, Sheik Mohammed has managed to avoid financial disaster and pursue his dream of making Dubai a modern, international metropolis on a par with New York, London and Hong Kong.

The opening of the Burj Khalifa was intended to symbolize that dream, according to Jim Krane, author of "City of Gold: Dubai and the Dream of Capitalism."

At the height of Dubai's property boom, one-bedroom apartments were selling for as much as $2,776 a square foot on the secondary market, according to Betterhomes, one of Dubai's largest real-estate brokers.

One of the most expensive apartments at the time sold for just over $3.5 million.

In today's economic climate, it isn't certain whether the finished skyscraper will help Sheik Mohammed realize his dreams for Dubai or add to the emirate's sizable economic challenges.

WSJ.com

For complete coverage of the Burj Khalifa's opening, go to WSJ.com/Mideast at **WSJ.com/OnlineToday**

Agence France-Presse/Getty Images

Two men walked past the Burj Khalifa on Sunday, the eve of the world's tallest skyscraper's official opening.

PetroChina gas deal with Woodside expires

By Alex Wilson

MELBOURNE—**Woodside Petroleum** Ltd. lost a foundation customer for one of its key growth projects, with the expiration of an agreement to potentially sell up to three million tons of liquefied natural gas a year to **PetroChina** Co. from its Browse development.

The Perth-based company said Monday the agreement expired on Dec. 31. PetroChina signed a key terms agreement on Browse gas sales with fanfare in 2007. The failure to convert that agreement into a firm supply deal is a blow to a project that is central to Woodside's ambitions to become one of the world's largest producers of liquefied natural gas, which is natural gas cooled into a liquid form for tanker transportation and an increasingly important source of global fuel needs.

PetroChina Chief Financial Officer Zhou Mingchun declined to comment on the reasons for the state-owned company's decision to allow the agreement to expire.

The failure of the PetroChina deal is a lost opportunity for Woodside to lock in gas sales to the booming Chinese market. Goldman Sachs JBWere oil and natural gas analyst Aiden Bradley said it was possible Chinese buyers could return when Browse is at a more advanced stage.

Woodside said a separate agreement with Taiwan's **CPC** Corp. remains in place. It also said it is in talks with Japan's **Osaka Gas** Co. over possible sales of gas from Browse, which is in Western Australia state.

Woodside said it has entered an agreement with Osaka Gas to push forward talks on Woodside projects, including the potential sale of up to 1.5 million tons of LNG a year from Browse. But a person close to the situation downplayed the significance of the talks. "This is one of many talks held [by Osaka Gas] with potential sellers," the person said.

Woodside's partners in the Browse joint venture are Chevron Corp., BHP Billiton, BP PLC and Royal Dutch Shell PLC.

The Browse partners have been wrangling over where to locate the gas processing plant, but the project regained momentum in December when they agreed to a government deadline to settle on a site.

Mr. Bradley said it wasn't surprising to see the PetroChina agreement lapse since there were still so many unanswered questions about the development of Browse.

Woodside's shares on Monday rose 0.7% to A$47.53.

—Mari Iwata in Tokyo and Yvonne Lee in Hong Kong contributed to this article.

Bids continue for coal miner

By Elisabeth Behrmann

SYDNEY—India's **Jindal Steel & Power** Ltd. matched a takeover bid by a Chinese rival for **Rocklands Richfield** Ltd. that values the Australian coking-coal developer at 197 million Australian dollars (US$177 million), highlighting interest in Australian natural resources.

China's **Meijin Energy Group** in late December raised its initial November offer to 56 Australian cents (50 U.S. cents) a share, valuing Rocklands at A$197 million.

Shares in the Perth-based company rose 8.3% to 46 Australian cents a share.

The tussle over Rocklands started last September, when the company announced a friendly takeover by Jindal at 42 Australian cents a share. Under the terms of that agreement, Jindal would have the opportunity to match any subsequent counter offers.

Australia's Foreign Investment Review Board recently approved a A$3.4 billion takeover of **Felix Resources** Ltd. by China's Yanzhou Coal Mining Co., indicating Rocklands is unlikely to experience difficulties.

Rocklands has property in Queensland state that it estimates hold more than 900 million tons of coal and operates a coking-coal plant in eastern China. Coking coal is used to make steel.

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CORPORATE NEWS

December U.S. car sales raise hopes

Surge gives optimism that 2009's slump won't continue into 2010; GM's Saturn, Pontiac close-outs boost results

By Matthew Dolan And Kate Linebaugh

A December recovery in U.S. car sales is starting to ease fears that the historic plunge in the American auto market in 2009 would repeat itself this year.

In recent days, sales have been brisk as auto makers stepped up incentive programs and took advantage of customers willing to buy without the aid of government rebates that spiked sales last summer.

"We are seeing an increase across the board," said Michelle Krebs, a senior analyst at Edmunds.com, a car-buying Web site. She cited higher-than-expected gains at **BMW** AG, **Ford Motor** Co., **Honda Motor** Co., **Toyota Motor** Co.'s Lexus, and **General Motor** Co.'s soon-to-be-shuttered Saturn and Pontiac brands.

Car makers are set to release December sales data for the U.S. on Tuesday.

Ford has seen year-over-year gains in recent months along with a substantial increase in its retail market share.

George Pipas, Ford's U.S. sales analyst, said consumer attitudes were "improving but fragile" as potential customers weigh a car purchase against continued uncertainty about their jobs and the value of their homes.

The December surge appears to be aided in part by GM's late-month dealer incentive program to clear out thousands of leftover vehicles from Saturn and Pontiac.

GM gave dealers $7,000 for every new Saturn or Pontiac on their lots that is moved to rental-vehicle or service-vehicle fleets operated by the dealers, from which they could be sold to customers at a discount.

Many industry analysts now expect the seasonally adjusted annualized selling rate in December to be more than 11 million cars and trucks. Such a figure would mark the second-best month of 2009 after August, which received a major jolt from the "cash for clunkers" government rebate program.

Associated Press

Ford has seen its U.S. sales and market share rise in recent months. Above, a Ford dealer in Denver in November.

Many car makers have seen gains but sales at Chrysler for 2009 may hit 1962's level.

Stabilizing used-car prices, lower interest rates and brightening economic data have persuaded more consumers to shell out dollars for a big-ticket item like a new car, experts said.

But an anemic housing market, stubbornly high unemployment and shaky consumer confidence continue to tamp down sales from making a fuller recovery.

Before the recent crash, a healthy U.S. auto market had been considered 16 million vehicles sold a year.

The annualized monthly figure hit a low of 9.17 million last February before recovering in July and August to a peak of 14.09 million, thanks to the clunkers rebates. Sales tanked again in September to 9.22 million before rising again last fall.

According to an analysis of the car industry last week by Credit Suisse, a bright spot is that good products can still break through.

Ford sold more Fusion sedans in the last three months of 2009 compared with the same period in 2008 despite a sharp decline in buyer incentives.

Two of Detroit's three car makers, GM and **Chrysler Group** LLC, emerged from government-backed bankruptcies last year with a cleaned-up balanced sheet but a rocky production schedule and new questions about their future product line-ups.

Chrysler, which left bankruptcy protection in June under the management control of **Fiat** SpA, performed the worst of any of the major auto makers. In the first 11 months of the year, Chrysler's sales of cars and light trucks fell 38% compared with the overall market's 24% decline.

Chrysler halted production at many factories in the middle of the year due to its bankruptcy, leaving it with severely limited inventory during the clunkers program. Supplier issues further crimped production, weighing on inventory even after the federal rebate program ended.

From January through November, Chrysler's production fell 59%, according to wardsauto.com.

Chrysler Chief Executive Sergio Marchionne is trying to wean the company off expensive sales incentives and not to overproduce vehicles, as part of his five- year plan to return the company to profitability and repay the U.S. government for its loans.

But Ms. Krebs at Edmunds said Chrysler's sales to fleets such as car-rental concerns could be almost half of all its sales in December, an extraordinarily high percentage that could cost the company in lost retail sales, which generate higher prices and greater profit.

This fleet-sales strategy has come at the cost of short-term market share. In November, Chrysler lost about three percentage points of retail market share from the same month of 2008, as rivals such as **Nissan Motor** Co. and **Hyundai Motor** Co. gained share.

"When sales are announced Tuesday, it could be the first year since 1962 that Chrysler sold less than one million" vehicles, Ms. Krebs said.

Toyota, meanwhile, maintained market share for the first 11 months of the year despite undergoing its worst-ever safety recall, involving eight of its Lexus and Toyota-brand vehicles.

The recall, announced in late September, involves concerns over sudden acceleration that the company attributed to floor mats getting stuck under the gas pedal.

Still, Toyota gained market share in November and has been steadily increasing output at its North American plants.

GM's auto sales in China increased 67% last year

By Patricia Jiayi Ho And J.R. Wu

BEIJING—**General Motors** Co.'s sales in China soared 67% last year, underscoring the country's importance to the U.S. auto maker as sales sputtered in its home market.

GM has been expanding its share of the fast-growing Chinese auto market and GM's 2009 sales growth in China was likely stronger than growth in the country's overall auto market.

GM sold a record 1.83 million autos in China last year, the company said Monday. The auto maker expects to top that this year, though it expects growth to slow.

"The industry outlook is strong and we expect more growth, albeit on a somewhat slower pace," said Kevin Wale, president and managing director of GM China Group.

China's government gave the auto industry a boost last year by introducing several policies aimed at increasing demand, such as halving the purchase tax for vehicles with small engines. The government partially rolled back the tax cut starting this year, but some auto makers say passenger vehicle sales in China could grow as much as 15% this year.

While still high compared with markets elsewhere, that would be slower than the torrid growth of last year, which is expected to total around 13 million cars, up roughly 50% from a year earlier, according to J.D. Power & Associates. Full-year figures aren't yet available.

Sales at GM's passenger-vehicle joint venture, Shanghai General Motors Corp., rose 63% to 727,620 units last year, GM said, without giving year-earlier figures.

More than half of GM's China sales came from its minicommercial-vehicle joint venture, SAIC-GM-Wuling Automobile Co. Sales at the three-way venture, in which GM holds a 34% stake, rose 64% to 1.06 million units.

GM's new light-commercial-vehicle joint venture with **FAW Group** Corp. has sold 34,510 vehicles since its establishment in August.

The U.S. auto maker's operations in its home market have been much weaker. For example, GM's November sales in China more than doubled from a year earlier to 177,339 vehicles, while in the U.S. they fell 1.7% to 150,676.

For January through November, GM's sales in China rose 64% to 1.64 million units from a year earlier. In the U.S., its sales fell 32% to 1.86 million units. Full U.S. auto-sales numbers are expected on Tuesday.

GM said it increased its market share in China by 1.3 percentage points to 13.4%.

"As China asserts itself as the world's largest vehicle market, our domestic operations will be counted on to deliver solid results," Mr. Wale said.

With new small car, GM seeks 100,000 vehicle sales in India this year

Continued from page 17

tiva sport-utility vehicle.

The car maker has outlined a $500 million expansion plan in India, including a $300 million car factory in the city of Talegaon and the construction of an engine and transmission plant there. GM plans to make both diesel and gasoline engines in Talegaon.

Mr. Slym said GM India is doubling production at the Talegaon plant to 90,000 cars a year because of the Beat's introduction. Until now, the factory produced just the Spark model. The plant's potential capacity is 140,000 vehicles a year.

The Beat will be offered in three versions, with the base model costing 334,000 rupees ($7,200). The top-end model, with features such as dual airbags and alloy wheels, will cost 399,000 rupees.

GM plans to eventually sell the Beat in at least 150 countries, including in Europe, North America and elsewhere in Asia.

The auto maker currently sources as much as 60% of the parts for the Beat from Indian suppliers, a proportion it plans to increase to as much as 90% in 12 months to price the car competitively, Mr. Slym said.

"There is a competitive market in India," he said. "There are more and more players coming in with different capabilities, and our capability is the benefit of being global, which allows us to bring benefit and lower-cost ideas."

Mr. Slym also said GM expects to start selling a light commercial vehicle in India next year under a joint venture with **SAIC Motor** Corp. of China. "We will have a lot [more] vehicles between GM and SAIC," he said, adding that the vehicles also would be exported from India.

SAIC and GM formed the joint-venture company in December. The companies expect the venture to invest in emerging markets, starting with $650 million in India.

GM has said that the joint company, General Motors SAIC Investment Ltd., would be based in Hong Kong and would be established in the first quarter of 2010. The venture will target annual sales of 225,000 vehicles by 2012.

CORPORATE NEWS

Delta deal gets cleared for takeoff

U.S.-based airline expects recent approval for full integration of Northwest will unlock additional merger benefits

By Mike Esterl

The repeated images of Delta logos on a Northwest Airlines jet that narrowly escaped a bombing Christmas Day are hardly the advertising **Delta Air Lines** Inc. envisioned for the world's largest airline merger.

On New Year's Eve, though, the Federal Aviation Administration gave Atlanta-based Delta the green light to fully integrate its Northwest subsidiary's planes and flight crews into the namesake carrier.

Clearing that last big regulatory hurdle sets the stage for Northwest to disappear as a separate carrier by this spring and, Delta executives hope, to help unlock billions of dollars in merger benefits after operating the two carriers at arm's length.

Delta and Northwest, based in Eagan, Minn., became the world's largest airline group by traffic when they merged in October 2008. The two airlines boast a combined fleet of 750 airplanes that fly to more than 360 destinations around the globe and booked $21.26 billion in revenue in the first nine months of last year.

More than 80% of Northwest's silver-and-red planes already have been painted in Delta's white, blue and red. Northwest ticket agents and flight crews have been wearing Delta uniforms since April.

But until Delta received a single operating certificate from the FAA last Thursday, Northwest was required to be run as a separate carrier with its own flight codes, dispatch system and pilots. That was the case Dec. 25, when a Nigerian passenger allegedly tried to blow up a Detroit-bound plane from Amsterdam before being subdued. Although the jet bore Delta markings, Northwest Flight 253 had Northwest pilots and flight attendants.

Delta Chief Executive Richard Anderson on New Year's Eve told the company's 80,000 employees he was "obviously disappointed" that an explosive device had been smuggled aboard the airplane, saying the company has closely followed government security directives.

In the coming weeks, pilots from Delta and Northwest are scheduled to share cockpits for the first time. By the end of March, Delta plans to replace separate ticketing systems with a single one as Northwest's flight codes are retired and visitors to Northwest's Web site get redirected to Delta.

Delta estimates it corralled $700 million in initial merger benefits last year—$200 million more than first projected. It says revenue got a boost from new customers attracted to its expanded route network. It also cut costs by consolidating some nonflight operations and striking better deals with vendors.

Delta says annual cost and revenue benefits at a fully integrated airline could top $2 billion within a few years. As one airline, it can eliminate duplicate technology platforms and consolidate scheduling systems for pilots. It also will be able to better manage its inventory of seats, more easily shifting planes and crews to wherever they are needed.

Rivals are monitoring the integration. Four years after America West Airlines and US Airways combined, labor disputes have prevented **US Airways Group** Inc. from fully integrating staff.

A smooth transition at Delta and Northwest, could trigger a new round of consolidation among competitors. "We're eating popcorn and we're watching," Jeff Smisek, the new chief executive of **Continental Airlines** Inc., said in a recent interview. "We can always jump in the ring if we need to."

Many analysts say the Delta-Northwest merger has advanced more smoothly than many airline tie-ups. One potential reason: Delta's chief, Mr. Anderson, was Northwest's CEO from 2001 to 2004, part of a 14-year career at that airline.

Mr. Anderson already has sidestepped one big land mine by getting Delta and Northwest's pilots to agree in 2008 to integrate the seniority lists that determine pay and benefits.

But plenty still can go wrong. When US Airways tried to combine its predecessors' reservation systems in early 2007, more than a year after the initial merger, some check-in kiosks crashed. It also struggled with flight delays.

Delta had twice as many consumer complaints per passenger in the first nine months of last year as the U.S. industry average, declining to the worst performance among 19 big carriers, according to the Department of Transportation.

Northwest's ranking also declined, to No. 16.

Delta cites a customer-satisfaction survey released in June by J.D. Power and Associates, in which Delta ranked better than average among traditional North American carriers. Northwest ranked about average.

Delta says it has been phasing in and testing technology changes to avoid the major disruptions of other airline mergers.

April 2008 Atlanta-based Delta Air Lines and Northwest Airlines, Eagan, Minn., agree to merge.

October 2008 Merger closes, creating world's largest airline group by traffic

December 2008 First Northwest aircraft repainted in Delta colors

March 2009 Northwest pilots, flight attendants, ticket agents begin wearing Delta uniforms

October 2009 Delta, Northwest frequent-flier programs integrated

Dec. 31, 2009 Delta receives single operating certificate from FAA, allowing full integration of flight operations

First quarter 2010 Delta to consolidate all seats and fares, shut down Northwest Web site; all flights to be handled by single dispatch team

Airline fatalities drop but safety measures slip

By Daniel Michaels

Last year was one of the safest in decades for airline passengers, two new studies indicate, but a decline in fatalities masks an overall backsliding after years of major improvements in air safety.

In 2009, 30 fatal airliner accidents resulted in 757 deaths and one ground fatality, according to the Aviation Safety Network, a Dutch organization that tracks air-transport mishaps. The 10-year average is 802 fatalities, and earlier figures are significantly higher.

Of the 30 deadly crashes, only 11 involved commercial passenger flights, according to ASN. The rest were freighters or military aircraft.

The 11 fatal crashes were the lowest number in more than 60 years, said ASN President Harro Ranter. The figures don't adjust for air traffic, which declined slightly in 2009 from the previous year amid the economic crisis.

But beyond these relatively few fatal crashes, there were many incidents that showed basic safety shortcomings. These include a **US Airways** plane that was forced to splash-land in the Hudson River off Manhattan on Jan. 15 after both its engines were snuffed out by bird ingestion; a **Northwest Airlines** plane that overshot its destination by more than one hour on Oct. 21 because the pilots were distracted; and an American Airlines plane that overran its runway in bad weather and broke up on landing in Kingston, Jamaica on Dec. 22.

"It wasn't a very flattering year for aviation safety because so much could easily have gone so much worse," said Bill Voss, chief executive of the Flight Safety Foundation, a nonprofit group in Alexandria, Va.

Data from the Flight Safety Foundation, which cooperates with the Aviation Safety Network, indicates that while the rate of major accidents dropped sharply over the past decade, most of that improvement was accomplished by 2005.

Mr. Voss said the data show "a mixed picture" because many accidents are now survivable thanks to steady improvements in airplane design and safety features, such as stronger seats and more fire-resistant materials.

"There's clearly evidence that we're learning how to make airplanes safer," Mr. Voss said. He cited the Hudson River splash-landing and the recent American accident as examples of crashes that everyone survived. The American Boeing 737 broke into three pieces after skidding off the end of the runway on landing in Jamaica. Although many people were hospitalized, all 154 people onboard lived.

The cause of the American crash is unclear, but the U.S. Federal Aviation Administration on Friday said it would increase oversight of American, a unit of **AMR** Corp., following the Kingston accident and two other botched landings within 11 days.

Still, Mr. Voss said, accidents such as runway overruns remain far too common because crews are frequently given bad information and make poor decisions in preparing to land. "It reminds us that we haven't really gotten the serious issue of human error out of the system."

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CORPORATE NEWS

City Center architects return to earth

Over-the-top Las Vegas project marks a peak for design firms as high-profile jobs, especially in U.S., fall by wayside

By Alexandra Berzon

Bloomberg News

The Crystals mall at City Center illustrates the primary role that high-design elements played in the $8.5 billion Las Vegas project.

LAS VEGAS—December's opening of **MGM Mirage**'s City Center brings together the work of some of the world's best-known architects in an $8.5 billion, 18 million-square-foot hotel, casino and retail development.

The project, unique in the U.S. for both its size and scale, provided lucrative jobs for over 200 design groups. But the development—which includes the work of Cesar Pelli, Helmut Jahn, Norman Foster and Daniel Libeskind, among other architects—also stands as a marker for one of the last design hurrahs before architecture work in this country started to dry up.M any of the architects of City Center now say they are adapting by grabbing smaller commissions and overseas projects.

David Rockwell designed striking interiors for the Crystals mall at City Center, including a backlit, inlaid-stone staircase and a floor-to-ceiling enclosed cafe space that evokes a tree house. He said he has adapted to the new economic climate by taking on smaller projects, such as more restaurant-design work. He also recently produced a portable playground-in-a-box, a $10,000 version of a multi-million-dollar playground he is developing in New York City.

Government-funded infrastructure work is another refuge. "It's a problem if you think you can only do buildings," said Rafael Vinoly, the Argentine architect who designed the 1,500 room, curved Vdara hotel tower at City Center. "Infrastructure is such a fundamental component of every recovery plan."

At one time City Center represented one of the biggest, if not the biggest, source of billings in the U.S. for high-profile architects. One of the reasons for its enormous price tag was the premium MGM Mirage was willing to pay for design, which chief executive Jim Murren has said added hundreds of millions of dollars to the cost, compared to similarly sized projects. The company won't disclose what percentage of the $8.5 billion cost went to design.

The open wallet for the project's design sometimes meant allowing people like Mr. Jahn to maintain critical design features, such as applying an expensive ochre-colored ceramic coating to the glass he had planned for his leaning Veer condo towers to block out sun instead of a cheaper solution.

Architecture experts see City Center as an extreme outgrowth of an era that dates back to the 1997 success of Frank Gehry's Guggenheim Museum in Bilbao, Spain. The museum spurred a tourism boom in Bilbao and helped governments and private developers realize how celebrated design could create buzz for a city, in the hope of adding economic value.

But now, even top-flight architecture firms are littered with designs that have been halted due to lack of funding, including Mr. Gehry's plans for an arena development in Brooklyn, N.Y. Santiago Calatrava's 150-story luxury residential tower in Chicago and a Berkeley, Calif., art museum designed by Japanese architect Toyo Ito also ran into delays.

Billings by architecture firms began to drop around the beginning of 2008, and plummeted at the beginning of 2009, according to the Architecture Billings Index compiled by the American Institute of Architects. Firm billings have continued to drop every month since.

Eugene Kohn, chairman of **Kohn Pederson Fox**, which designed the Mandarin Oriental hotel at City Center, said that in the past year his firm has taken on small projects in the U.S. that would have never been on the 500-person international firm's radar in past years, such as a 100,000-square-foot retrofit of an office building in New Jersey.

At a cocktail party in Manhattan this spring, he found himself jokingly defending that project. "A developer said, 'The market is not very good, and the fact that you took a job in New Jersey means it's worse than I thought,'" Mr. Kohn recently recalled.

His firm has also recently begun large projects in 21 cities in China, he said, including a 10- million-square-foot complex in Shenyang. The firm's staff is down by about 10% to 15% from around a year ago due to layoffs and attrition, he said, but it has recently resumed hiring.

In the U.S., traditional patrons of high-end architecture, including universities, cultural institutions and private developers, all have halted funding. Andrea Lamberti, a project manager in the office of Mr. Vinoly, who designed the Vdara hotel at City Center, said her firm has seen a lot of university contracts move slowly.

"We've donated a lot of services where they haven't signed on the dotted line yet," Ms. Lamberti said. "I think a lot of people are still looking for a diversity of design, but what they're going to pay for that remains to be seen. I could put a $1,000 purse on hold at Bloomingdales but it doesn't mean I'm going to come and pick it up."

Kermit Baker, an economist for the American Institute of Architects and a senior researcher at Harvard University's Center for Housing Studies, said architecture firms shed 40,000 jobs from their peak in the summer of 2008 through October, a loss of 17%. Eighty percent of firms saw revenue decline in 2009. For half of those firms, the loss was 25% or more.

Not everyone is lamenting the end of the boom. "It's sometimes said a big budget is an architect's worst enemy," said Sylvia Lavin, a professor of architecture history at the University of California, Los Angeles. "Certainly in previous economic crises it's fair to say the most intelligent and forward-thinking architects found the opportunities provided by the lack of money."

Mr. Kohn, of Kohn Pedersen Fox, concedes that when financing was easy architects got carried away. "The boom time produced exorbitant architecture toward the end," he said, adding that new projects "can still be excellent pieces of architecture. I think they'll just be more disciplined to the cost on the design."

Total strikes U.S. shale-gas deal

By Geraldine Amiel

PARIS—**Total** SA has become the latest oil major to enter the U.S. unconventional gas sector after announcing a joint-venture with natural-gas producer **Chesapeake Energy** Corp. on Monday.

Total said it will acquire 25% of Chesapeake's Barnett Shale gas portfolio in Texas for $800 million. The Paris-based company also has committed to pay as much as $1.45 billion over a maximum of six years to fund 60% of Chesapeake's future capital expenditures on drilling and completion of wells under the terms of the joint venture.

"This joint venture will provide us with a solid position in an attractive long-term resource base under competitive terms," Total Chairman and Chief Executive Christophe de Margerie said in a statement. "It will allow Total to develop its expertise in unconventional hydrocarbons in order to expand its unconventional business worldwide."

In a separate statement, Chesapeake CEO Aubrey McClendon said the transaction would allow his company to reduce its financial leverage and future capital expenditures.

The Barnett Shale assets have a current net daily production of about 700 million cubic feet of natural gas, Total said. Under the terms of the deal, Total's share of current natural-gas production will be approximately 175 million cubic feet a day, representing 30,000 barrels of oil equivalent. Total expects to increase its share of production to more than 250 million of cubic feet a day in the coming years.

Analysts welcomed Total's news, which follows similar moves from other major oil companies. "They're the last major to enter the U.S. non-conventional gas business," according to an oil analyst at a French bank. "Total had no exposure before to this business, which is quite a promising one. Nonconventional gas is not costly to produce. Important reserves have been discovered recently in the U.S. which augurs a substantial production potential in years to come."

Shell PLC; BP PLC, which also acquired reserves from Chesapeake; and ExxonMobil Corp., which made a recent deal with XTO Energy, preceded Total's entry into the unconventional-gas market.

As part of the deal, Total will have the right to buy a 25% share in new acreage acquired by Oklahoma City-based Chesapeake in the Barnett Shale area. The two companies also said they have agreed to jointly study certain North American shale-gas opportunities, without providing further details.

Lenovo adds AMD chips to its ThinkPad laptops

By Don Clark

Chip maker **Advanced Micro Devices** Inc. has won a place in one of the best-known laptop personal-computer lines, the ThinkPad.

Lenovo Group Ltd. of China is adding two new models that use AMD microprocessors to its ThinkPad line, which targets business users.

Lenovo acquired the well-known ThinkPad brand in 2005 as part of a deal to buy **International Business Machines** Corp.'s PC business.

Lenovo has used AMD chips in desktop PCs before. But Lenovo and IBM both only used **Intel** Corp. chips in ThinkPads. Lenovo will continue to offer other ThinkPads that use Intel technology.

One ThinkPad model, dubbed the X100e, is described by Lenovo as its first "professional-grade entry ultra-portable." It has an 11.6-inch display and starts at $449. It is available in both red as well as black. The other model, dubbed the Edge series, has a 13.3-inch screen and starts at $549.

Both systems use AMD chips that carry the previously unannounced brand Vision Pro, which AMD said refers to sets of chips that deliver a superior visual computing experience.

AMD, of Sunnyvale, Calif., lags far behind Intel in the microprocessor market, particularly in chip sales for laptops, where Intel's technology has offered lower power consumption.

But AMD has managed to penetrate laptop lines from most major vendors, including Hewlett-Packard Co., Dell Inc. and Acer Inc.

Recovery hints: rhodium, trains

Analysts track obscure barometers of growth

By Carolyn Cui

As stock and bond investors debate whether the U.S. economic recovery has legs, some analysts are looking beyond the standard flurry of data for evidence.

They are focused on demand for relatively obscure metals and fuels, such as rhodium—which is used in car parts and is considered by some as a barometer of auto demand—as well as diesel fuel. Prices of both are reaching new highs, leading some to believe a real recovery is taking hold.

Unlike gold and platinum, specialty metals like rhodium aren't traded on commodity exchanges, making it hard for hedge funds and other investors to buy them as speculative bets. Prices are set by producers and users of the metal, linking them more closely to real demand.

As of Friday, rhodium fetched $2,360 a troy ounce, up 60% since mid-October.

"We'll keep watching rhodium. These smaller metals are very sensitive to changes in demand, making them a good indicator of what is happening out there," said Theresa Gusman, head of commodities at DB Advisors, the asset-management arm of Deutsche Bank AG.

About 80% of the metal is used by auto makers in catalytic converters. Rhodium's strength bodes well for the U.S. auto and auto-related industry, which constitutes 4% of the country's gross domestic product and employs 10% of the total work force.

Many bulk commodities also have gotten pricier recently. Prices of iron ore, one of the main materials used to produce steel, rose last Wednesday to the highest level of 2009 in China, the biggest buyer. Coal prices jumped 6.4% at the New York Mercantile Exchange in December.

Other investors are looking at rail traffic in North America, which showed a 4.6% rise in December, the first year-to-year increase after slumping for more than a year, according to Dahlman Rose & Co.

Rail carloads reached 714,015 units, up from a year ago but still 14% lower than in the same week in 2007.

An increase in rail volume is a precursor of rising economic activity, as manufacturers, construction companies and car dealers are among the top railway shippers. Analysts are looking to see whether the increases continue.

To be sure, the relative illiquidity of markets for specialty commodities can cause swings in prices. Rhodium prices, for example, tumbled 20% in early December after nearly doubling in two months. Still, the metal recouped most of those losses recently.

Bloomberg News

Rail volume is one way to gauge economic activity. Above, a Burlington Northern Santa Fe freight train.

Energy use, which powers economic growth, also has shown signs of life.

Prices of "bunker fuel" set new highs in recent days, pointing to burgeoning demand from industrial users. Bunker fuel, also known as residual oil, is the cheapest liquid fuel and not traded as a financial asset like crude oil or natural gas. Because of its very high sulfur content, residual oil is used only by power plants and large ships that are able to process it.

Residual fuel is priced as a discount to the price of Brent crude oil, a market benchmark, and the spread has recently narrowed to $3.50 a barrel, the lowest in at least three years, according to Platts, a subsidiary of McGraw-Hill Cos.

Barclays Capital analysts found a similar cause for optimism in the market for diesel fuel. China, India and Japan all reported a rise in diesel demand in recent months, and U.S. diesel inventories continued to decline.

Diesel is another cheap distillate and is widely used by trucking fleets and to power farming machinery.

"The arrival of the first concerted signs of a distillate recovery" bodes well for global oil demand to tip back to positive territory in the first quarter of 2010, Barclays analysts wrote.

China opens more bonds to insurance companies

SHANGHAI—China's insurance regulator said insurance companies can now buy triple-A-rated nonguaranteed bonds on the domestic interbank market, broadening the cash-rich firms' investment channels and continuing the development of the country's relatively young corporate debt market.

The move also will help finance China's four trillion yuan ($585.8 billion) economic stimulus, analysts said. China has gradually been loosening restrictions on insurance companies' investment in corporate bonds in recent years.

In October, the China Insurance Regulatory Commission raised the upper limit of insurers' investment in corporate bonds to 40% of their total assets from 30%, and allowed insurers to buy corporate bonds issued in Hong Kong by large state-owned enterprises and domestic businesses listed on the city's stock exchange with at least a Triple-B rating.

The widening investment channels will help satisfy an increasing demand for corporate bonds by domestic insurers, whose premium income has been rising robustly.

China's insurance companies collected 1.022 trillion yuan in premiums from January through November last year, 11.7% more than in the same period of 2008, the state-run Xinhua news agency reported in December.

The move to broaden domestic insurers' access to the corporate bond market could help them raise their investment returns because bonds that aren't guaranteed typically carry higher yields than does government debt, said Chen Xumin, deputy director of the trading department of midsize Nanchong Commercial Bank.

An insurer's investment in a nonguaranteed bond can't exceed 20% of the bond issuer's net assets, the insurance regulator said in a statement on its Web site on Friday.

Nonguaranteed bonds are debt whose principal and interest aren't guaranteed by another company other than the issuer itself. In China, these securities consist mainly of corporate medium-term notes supervised by the country's central bank.

Outstanding medium-term notes in China, with a typical maturity of three to five years, totaled 806.8 billion yuan at the end of November, accounting for 34.7% of the total corporate debt traded on the interbank market, according to the latest data on the official Chinabond Web site.

China also has been opening its nascent corporate bond market wider to more-experienced foreign investors in recent years. In January 2009, China's banking regulator started to allow foreign banks to trade and underwrite corporate bonds on the interbank market. Last month, China gave the green light to Bank of Tokyo-Mitsubishi UFJ's China banking unit to issue yuan-denominated corporate bonds on the interbank bond market.

It was the first time a foreign commercial bank has received approval to sell bonds in China, but it was unclear how much the Japanese bank plans to raise or when it plans to sell the bonds.

—Wang Ming

Philippines, Indonesia and Vietnam prepare $7 billion in bonds

By Ditas Lopez

MANILA—The Philippines, Indonesia and Vietnam hope to sell as much as a combined $7 billion of new debt in the coming weeks and be the first sovereign offerings out of Asia to hit the international market since October.

"This is going to be a very busy month for sovereign issuers," said a syndicate banker in Hong Kong.

The Philippines, Asia's most active offshore sovereign issuer, has opened the market for bonds in so-called G3 currencies—U.S. dollars, euros or yen—for Asian borrowers each year for the past few years. This year, however, it will have the company of similarly rated peers, a prospect that could push up borrowing costs as the three issuers vie for investors.

But with investors flush with cash and looking to put the money to work quickly in the new year, the sovereigns will likely find willing buyers, with little risk of a spike in yields. What's more, the deals have been well-publicized, eliminating the element of surprise that can hurt bond prices in the secondary market, which serve as a guide for pricing new issues.

"I don't think there's a great deal of anxiety about competition,' ' said Tim Condon, head of research for Asia at ING.

The Philippines, the first in line from Asia, is looking to raise as much as $2 billion in international bonds this week. While the details aren't final, the offering could include euro-denominated paper, given that it has €600 million ($859 million) in bonds maturing in February.

'This is going to be a very busy month for sovereign issuers,' said a syndicate banker in Hong Kong.

It has sought to cap its commercial offshore borrowing at $2 billion for this year, but many in the market say it's possible that the expected January fund raising won't be its last of this year.

Vietnam has hired **Barclays Capital**, **Citigroup** and **Deutsche Bank** to sell as much as $1 billion in bonds with maturity of 10 years or longer, said a person familiar with the deal. The offering could emerge next week.

Indonesia has hired Barclays Capital, Citigroup and **Credit Suisse** to sell between $3 billion and $4 billion in bonds that could come in more than one part, said a person familiar with this deal. The likely maturities are 10 years and 30 years and will be denominated in a mix of euros and dollars, the person said.

Malaysia is also said to be looking to return to the international market after a break of several years.

While the market is likely to absorb the fresh issuance relatively easily, some investors are wary that the Asian governments could come back to the market later this year.

The prospect of widening budget deficits, combined with the risk of another slump in global growth that would require more fiscal support, raises questions over whether governments in the region would be able to stick to their borrowing plans.

"The more important question is how often they will come back to the market this year," said ING's Mr. Condon.

MARKETS

Wider yield curve benefits lenders

Profit conditions favor banks, if only they can make enough loans; willing, creditworthy borrowers seen as scarce

By Marshall Eckblad And Matthias Rieker

Conditions are ripe for banks to start producing big lending profits. There is only one catch: They can't make enough loans.

The contradiction highlights one of the prevailing themes for 2010, that executives on the front lines of commerce are more skittish about the economy than investors.

Those investors have poured money back into stocks and riskier investments while shedding Treasurys. That selloff in government debt has pushed up long-term interest rates, even as the Federal Reserve's own interest-rate cuts lowered banks' borrowing rates.

The steeper gap between short-term and long-term rates is known as the yield curve. It enables banks to earn bigger old-fashioned lending profits, because they can borrow money at low rates—often from checking- and savings-account customers—and lend it at higher rates.

To best capitalize on the new higher rates, banks need to write new loans, for which willing and creditworthy borrowers are now scarce, bankers say. In addition, a large part of consumer and commercial bank loans track short-term, rather than long-term, rates.

"There is no question, mechanically, that a wider yield curve is better for the financial markets and the banks...in a high-school textbook," says Joseph R. Ficalora, chairman and chief executive of New York Community Bancorp Inc. Mr. Ficalora says the trend may be a false start, since demand for new loans remains low, even as rates have risen.

Other bankers agree. "The caveat is that loan demand is weak. A steepening of the yield curve is nice, but the impact is limited," says one executive of a large regional bank. "You need strong loan demand to take advantage."

Interest rates on a large portion of loans—including home-equity lines of credit, credit cards and loans to larger businesses—are also rising because "banks have been very focused in reasserting their pricing power on lending," says Jeff Davis, an analyst at FTN Equity Capital Markets Corp. But those loans won't be fully impacted as long-term bond yields rise. That is because interest payments on most adjustable-rate loans are tied to the London interbank offered rate, a measure that closely tracks the federal-funds rate. That limits the benefit for banks of a steeper yield curve. Libor is at 0.25%.

The 22 largest banks in the Treasury's Troubled Asset Relief Program issued or renewed $127 billion in business loans in November, roughly the same as five months ago. But old loans are expiring faster than bankers can write new ones. Banks' total loans fell 5% in November from a year earlier to $6.2 trillion, according to the Federal Reserve, which tracks outstanding credit at all banks rather than loan originations.

Capturing the curve

How movements in short- and long-term rates affect banks

The yield curve steepens when...	...Investors sell ultra-safe Treasury bonds and buy riskier investments in order to capitalize on expected growth in the economy.
That helps banks because...	...They can charge higher interest rates for some new loans, like mortgages and car loans.
When short-term rates rise...	...They drive up the cost at which banks borrow money as well as yields on investments like money-market accounts. When short-term rates rise without a related rise in long-term rates, it reduces banks' profits.

Bankers say businesses have such scant appetite to borrow that they aren't even exhausting existing lines of credit, a measure they watch closely. At some banks, business borrowers used less than 30% of available credit in the third quarter—in healthy times, it is around 50% for banks overall. **Fifth Third Bancorp**'s fell to "the lowest levels we can remember," Chief Executive Kevin Kabat told investors in October; **J.P. Morgan Chase** & Co.'s utilization rate was "at the lowest levels of all time," said Chief Financial Officer Michel Cavanagh in October.

Weak demand comes as new loans look lucrative. The spread between a bank's borrowing costs and the rates it charges on loans is known as "net interest margin." U.S. banks' net interest margins recently rose for the third consecutive quarter, to 3.51% from 3.37% a year earlier, according to the Federal Deposit Insurance Corp. Meanwhile, banks' cost of funds fell to 1.22% in the third quarter from 2.26% 18 months earlier, mostly because of Federal Reserve policies.

It is the lowest the cost of funds has fallen in the past decade—when the Fed's rate was at 1% in 2002, banks' cost of funds was 1.43%.

New mortgages, home-equity loans and commercial real-estate loans are getting more expensive for borrowers now that long-term interest rates are rising. One banker calculates that at the new rates, a $20,000 auto loan would carry an interest rate of 5.43%, up from 4.82% a month ago, or $197.28 more in payments in the life of the loan.

Mortgage rates already have risen. According Bankrate.com, the interest on a $250,000 30-year fixed-rate mortgage rose to 5.33% Thursday from 5% late last month, which translates to $18,313.20 more in payments in the life of the loan.

Gerard Cassidy, a bank analyst at RBC Capital Markets, says the steeper yield curve eventually could add a total of three-quarters of a percentage point to banks' net interest margins.

Like many analysts, he expects bank earnings next year to improve. Macquarie Group analyst Andrew Marquardt says in a report that bank's improving net interest margins would at least offset falling loan balances and a decline in profits from originating mortgages.

Bank of America Corp. estimates in a Securities and Exchange Commission filing that a one-percentage-point increase in long-term rates would mean $402 million more in income from interest payments, based on the bank's balance sheet in the third quarter.

Banks' continuing battles with bad loans will temper those fattening margins.

January is a bellwether

Continued from page 17

oversee $22 billion as chief investment strategist at Key Private Bank. Ordinary investors remain nervous about stock prospects and may not buy as much as in a normal January, he says.

Data support the idea that this period is a bellwether. Since 1900, the Dow's median rise for the first five trading days of January is 0.6%, almost triple the median increase for ordinary five-day periods, according to Ned Davis Research. The data also suggest that performance for the full month of January can be linked to what follows.

In years when the Dow has risen in the first month of the year, the median rise for the rest of the year is 10.4%. In years when the Dow has fallen, the median rise for the next 11 months is just 0.3%.

Because of the inflows of new cash, January has seen stock advances 62% of the time since 1900, well above the average of 57% for all months.

In fact, November, December and January typically are the market's strongest three-month stretch, as investors position themselves for the new year. Early December often is soft, possibly because tax-conscious investors are selling losing stocks to generate tax losses that they can balance against taxable gains in other stocks. If things are on a normal footing, that weakness should end by late December, and stocks should be rising ahead of a strong January.

Analysts still have plenty of doubts about how much more U.S. stocks will benefit. Investor optimism seems to be rising now, so there could be strong flows of new money into financial markets in January, says Edgar Peters, an investment strategist who helps oversee $15 billion at First Quadrant.

"The question is where new investment money will go this time," Mr. Peters says. In the post-March rally, investors tended to put new money into bonds and into emerging markets, such as India and China, rather than into U.S. stocks.

Starting in March, investors have removed a net $22.65 billion from U.S. stock mutual funds, while adding a net $34.27 billion to foreign-stock funds and $315.54 billion to bond funds.

"It is more likely that we will see further flows into emerging markets, since those are the best-performing right now," Mr. Peters says.

Some market analysts worry that stocks could perform moderately well in January, but that problems could show up later in the year, as central banks mop up some of the hundreds of billions of dollars they pumped into the financial system.

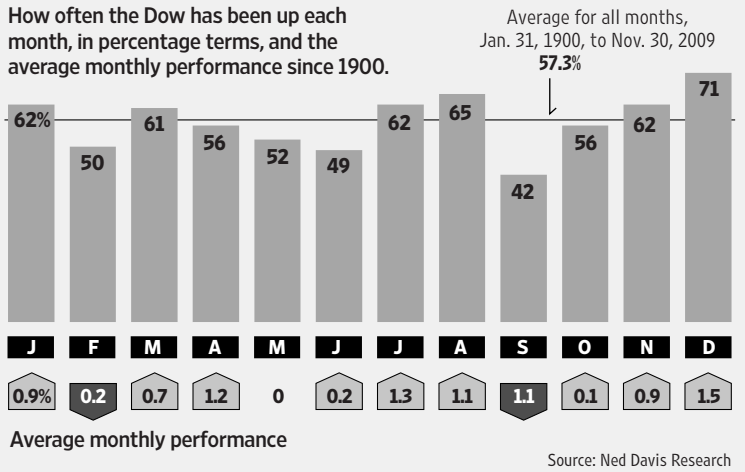
"The tailwinds that have been in place are likely to continue into the first half of 2010," says Jeffrey Kleintop, chief market strategist at brokerage house LPL Financial. "Those tailwinds fade as the Federal Reserve discontinues its programs, including programs to buy mortgage-backed bonds. And it isn't just the Fed: It could be the first time in history that almost every central bank in the world is constraining monetary policy."

Mr. McCain of Key Private Bank is warning clients to beware of market trouble later in the year.

What is more, corporate-profit expectations will be rising as the year progresses, and it could become harder for companies to keep meeting those expectations, says Russ Koesterich, head of investment strategy at Barclays Global Investors.

Best and worst months

How often the Dow has been up each month, in percentage terms, and the average monthly performance since 1900.


Average for all months, Jan. 31, 1900, to Nov. 30, 2009
57.3%
62% 50 61 56 52 49 62 65 42 56 62 71
J F M A M J J A S O N D
0.9% 0.2 0.7 1.2 0 0.2 1.3 1.1 1.1 0.1 0.9 1.5
Average monthly performance

Source: Ned Davis Research

International funds led the pack in '09

By Sam Mamudi

FUND TRACK

International-stock mutual funds were the best performers in 2009, a year when U.S. stock funds also soared, but the question is whether they can continue their ascent in 2010.

International funds' success in 2009 in large part reflects returns seen in emerging markets like China, Brazil and Russia. Emerging-market funds soared 72% in 2009, according to investment researcher Morningstar Inc.

Still, investors shouldn't forget that emerging-markets funds have a volatile history; big rises have often been followed by collapses. After climbing for five consecutive years starting in 2003, they tumbled roughly 55% in 2008 and still haven't fully recovered.

Whereas international funds of all stripes rose in 2009, those with the biggest holdings in emerging markets won out. The top advancer among the 25 largest international funds was the **iShares MSCI Emerging Markets** exchange-traded fund, up 68% through Dec. 29, according to stock tracker Lipper Inc. The top actively managed fund on the list was **Dodge & Cox International Stock Fund**, up 48%. It trailed the iShares ETF largely because most of its holdings were in developed markets.

This was the pattern everywhere. Lipper found that the best-performing China fund, **Oberweis China Opportunities Fund**, was up about 130% last year, while the best Japan-focused fund, **Fidelity Japan Smaller Companies Fund**, was up about 20%. Of course, the 2008 declines were more extreme in developing countries, too: The Oberweis fund fell 64.3% in 2008, while the Fidelity Japan fund shed 35.5%.

Despite the big rebounds of 2009, every international fund category is trading below its highs. For some managers, this suggests that some companies' share prices have a chance to keep booming. "A lot of the stocks we own are still well below their prices in mid-2008, and yet their businesses haven't really been affected [by the economic slowdown]," said Christopher Arbuthnot, co-manager of **John Hancock Global Opportunities Fund**.

Mr. Arbuthnot's fund was among the best performers in 2009, up 93% as of Dec. 29, after falling 51% in 2008. "Stocks were beaten up globally" in 2008, regardless of strategies or choices, Mr. Arbuthnot said.

The fund manager pointed to Brazilian water utility **Companhia de San Basico**, which fell to $13 a share from $56 a share on the New York Stock Exchange, at which point it was trading at just two times earnings. The valuation didn't make sense because the Brazilian economy continued to expand during the global recession. Thursday, it closed at $39.28, up 58% for the year.

MARKETS

Commodity investment seen strong in '10

Improving global economy expected to boost demand during first part of year; supplies likely to stay constrained

By Allen Sykora

Investment demand for commodities is expected to remain strong for at least the first few months of 2010, if not longer.

An improving economy is seen boosting demand for raw materials, and cost-cutting during the recession by producers such as mining companies constrained output, making commodities an attractive alternative asset class.

Barclays Capital has estimated that inflows into commodity investments during 2009 were a record $60 billion, topping $51 billion from 2006, said analyst Amrita Sen. The figure includes retail and institutional flows into commodity indexes, exchange-traded products and structured notes.

Of some 250 investors surveyed by Barclays in December, 63% said they intend to increase commodity investment over the next three years and 26% said they expect to maintain exposure at current levels.

Furthermore, 60% said they were investing in commodities for "absolute returns," anticipating further upside in prices. Still, Ms. Sen said, the scale of price rises is unlikely to match this year, when some commodities doubled, in large part due to hopes for eventual economic recovery and investment demand.

Total commodities assets under management are projected to stand at $250 billion after the fourth quarter, lower than a record $275 billion the second quarter of 2008 only because the price of many commodities is lower.

Much of the investment in 2009 was concentrated in gold, with big inflows into exchange-traded products in the first quarter. Since then, investment picked up in commodity index funds, particularly from institutional investors, Ms. Sen said. This was due to a combination of portfolio diversification and a desire to take advantage of the sharp fall in commodity prices in late 2008 as the global credit crisis hit.

"If you believe in the industrialization and urbanization story of China and India, you would have to appreciate that commodity prices fell to levels that were far below equilibrium and were seen as very attractive entry points for institutional investors," she said.

Developing economies like China need commodities such as copper and oil to build up infrastructure, and growing wealth means better diets so people tend to eat more protein, which leads to more grain and meat consumption.

Next year may bring more broad-based investment across commodity sectors as the economy recovers, whereas much of 2009 was concentrated in gold, Ms. Sen said.

The long-term picture remains constructive as demand rises from nations such as China and India that posted economic growth in 2009 despite weakness in much of the Western world, she said. Meanwhile, supplies are limited, exacerbated by the recession when companies cut costs by reducing capital expenditures for mines and oil fields.

"That caused a lot of delays and curtailed a number of projects that will continue to constrain supply," said Brian Hicks, co-manager of U.S. Global Investors' Global Resources Fund.

Commodity investment tends to be strong in the first quarter as pension funds and institutional investors position themselves for the year, he said.

Further out, crystal balls always become murkier. MF Global analyst Edward Meir also looks for good investment demand in early 2010 as the dollar remains weak. Because commodities are dollar-denominated, a weaker greenback makes commodities cheaper in other currencies. However, Mr. Meir suggested that eventually the money flowing into commodities could wane if the Federal Reserve starts to tighten money supply and the dollar firms.

Mr. Hicks, however, suggested the Fed will be slow to tighten with joblessness still high, keeping the dollar under pressure for some time.

Associated Press

Copper tubes at a Jiangxi Copper plant in Nanchang, in southeast China's Jiangxi province. Demand from China and India should help support commodity demand..

After quiet '09, a revival of Indian deals

Continued from page 17

tions are happening that weren't happening last year. Still, the financing won't be as abundant and cheap as it was in 2006 and 2007. Indian companies have established strong positions domestically and in Asia, and now want to elevate that to the global level. M&A is in many ways the best way to do it.

WSJ: The largest attempted transaction of the year was the Bharti Airtel-MTN stake swap. What lessons can be taken away from the breakdown of those talks?

Mr. Nath: In a deal of that size, there are so many moving parts. Based on my understanding from press reports, in this case there were significant regulatory hurdles. And the deal dynamics were taken out of the hands of the negotiating parties and into the government realm. Also, it is hard to get a complex deal like that done when everything's playing out so publicly. There were several public announcements and extensions of the talks over a period of months.

WSJ: Domestically, what sectors look most ripe for consolidation?

Mr. Nath: There is real logic in a sector like telecom consolidating. You've already started to see it in the cellphone tower industry. In IT services, the big boys are separating themselves from the pack, so the question is whether there can be mid-cap consolidation to catch up with the large-caps. There could be some merit in financial services; you saw one or two bank mergers in 2008. One challenge to domestic consolidation in India is that culturally there is resistance to sell from the founders and controlling shareholders. They either want to monetize at a really high price...or they don't want to sell at all.

WSJ: What are the prospects for inbound interest in India along the lines of Vodafone's purchase of a controlling stake in cellphone company Hutchison Essar in 2007?

Mr. Nath: The India part of the equation is strong and attractive. But I think acquirers in the U.S. and Europe are in weaker positions than in 2007. It's a function of their strength and appetite to do something of size in a new market. In early 2009 you saw a different flavor of inbound M&A–stake enhancements, where multinationals were pouring more into companies they already had investments in. Companies like Pfizer and Novartis took that approach in the pharmaceutical sector. That dried up after the stock market rallied. But I think there are signs inbound M&A activity will pick up in 2010.

WSJ: Private-equity firms stayed on the sidelines in 2009, but there is a lot of buzz that deals are on the way. Do you predict they will jump back in this year?

Mr. Nath: The cynical perspective is, why should 2010 be any different? In some respects 2009 was made for these guys. Companies were skittish about doing strategic M&A. They have ample capital to invest and people on the ground to evaluate companies. But they didn't pull the trigger and do deals. So why should that change in 2010 when corporate sentiment to do M&A has improved and it's much more competitive for them? Private-equity firms need to be smart about how they do deals in India. The deals will be smaller and with less leverage. People looking to do U.S.- or European-style leveraged buyouts rather than adapting to local conditions will continue to have conversations without announcing anything.

U.S. IPO market signals a more active new year

By Lynn Cowan

The final quarter of 2009 was full of highs and lows for the U.S. IPO market.

First, the highs: It was the most active quarter for initial public offerings in the U.S. since the fourth quarter of 2007, when 69 were completed, according to data tracker Dealogic Inc.

IPO OUTLOOK

A total of 31 deals made it out the door, raising a combined $17.8 billion between October and the end of the year. The biggest was insurance risk specialist **Verisk Analytics** Inc.'s $2.16 billion deal in early October.

But the fourth quarter had its share of low points, too. About 40% of the deals that debuted priced below their expected ranges, indicating that investors found the issuers' expected valuations too high.

One-third of all deals ended their first day of trading below their IPO prices—about half of those had priced within their expected ranges—a telling sign of investors getting cold feet after signing up.

December was a particularly tough month, with five of the six deals pricing poorly and only one gaining on its first day of trading.

One indicator for the new year is that the number of companies planning to go public has picked up significantly. In the first three quarters of the year, a combined 43 companies filed paperwork with the Securities and Exchange Commission to prepare for IPOs, according to Dealogic; the fourth quarter alone exceeded that, with 53 filing.

Most of the offerings filed during the quarter are for deals that aim to raise less than $500 million. The largest offering registered during the period is for life insurer **Symetra Financial** Corp, which is expected to raise as much as $575 million.

"It's like someone flipped a switch in the beginning of the fourth quarter, and people started to get ready to go public," says David DiPietro, president of specialty investment bank Signal Hill.

Japanese 10-year yield touches a 7-week high

By Megumi Fujikawa

TOKYO—Japanese government-bond yields rose Monday, as investors moved out of safe-haven assets after the yen weakened and Tokyo shares rebounded.

BOND MARKETS

The benchmark 10-year yield ended up 0.03 percentage point to 1.315% after trading as high as 1.32%, a seven-week high.

While yields are expected to remain low this year on the back of the Bank of Japan's accommodative stance, the nation's deteriorating fiscal health continues to be a major risk for the market, analysts said. The 10-year yield is likely to trade between 1.2% and 1.5% during the January-March period, said Noriyuki Fukuda, a strategist at Morgan Stanley. One concern for investors is the government's budget and the potential for yet more bond sales.

Still, short-term and medium-term yields will likely stay at low levels throughout the year, as deflationary caution persists, said Deutsche Securities strategist Makoto Yamashita.

On the first trading day of the new year, the yen's weakness that led to a rebound in Tokyo shares pushed up yields.

Investors also were cautious ahead of a 10-year bond auction on Wednesday.

Treasurys mostly gain

By Min Zeng

NEW YORK—Shorter-term Treasury prices rallied on the first trading day of 2010 as the significant rise in bond yields over the past two weeks enticed new buyers.

U.S. CREDIT MARKETS

A key gauge of the manufacturing sector from the Institute for Supply Management rose to 55.9 last month from 53.6 in November. While the reading was above the 54.0 forecasted by economists surveyed by Dow Jones Newswires, an expected reading of 65 had been circulating in the markets right before the release of the data at 10 a.m. EST. Readings above 50 indicate expanding activity.

Meanwhile, construction spending tumbled more than expected in November, pointing to a slow pace of economic recovery.

In late-morning trading, the two-year note was 3/32 higher at 99 26/32 to yield 1.0957%, and the 10-year note was up 6/32 at 96 14/32, with a yield of 3.8115%. Meanwhile, the 30-year bond was down 1/32 to 95 26/32 to yield 4.6351%. Bond prices move inversely to their yields.

Cold weather fuels oil gains; crude tops $81

By Claire Rangel

NEW YORK—Crude-oil futures traded above $81 a barrel for the first time in two months Monday, bolstered by frigid temperatures across the northern hemisphere.

Late morning Monday, light, sweet crude for February delivery was up $1.86, or 2.3%, at $81.22 a barrel on the New York Mercantile Exchange. The contract hit an intraday high of $81.68, the highest intraday level since Oct. 23.

COMMODITY MARKETS

The U.S. and Europe are experiencing a prolonged cold snap, lifting heating oil demand, while parts of Asia are also facing chilly weather. China is expected to see some of the lowest temperatures in decades over the next few days.

"We are back from the holidays and cold weather forecasts are giving markets a boost," Phil Flynn, an analyst with PFG Best in New York, said of oil's start to the new year above $80 a barrel.

He noted that there were several other bullish elements also adding to oil's gains, including the dollar giving back some of its advances against the euro. He said this was lifting oil and other commodities. Weakness in the dollar tends to boost oil prices, because it makes oil cheaper to purchase by holders of other currencies.

Positive economic data were also feeding support to oil prices, with hopes that the economic recovery will increase fuel consumption.

The U.K. manufacturing sector expanded at its fastest pace in more than two years in December. China's manufacturing activity also rose in December.

Offering underlying support to oil prices were concerns about a possible disruption of Russian oil supplies to Belarus. Russia is continuing to negotiate with Belarus over 2010 oil shipments, although Transneft Vice President Mikhail BarkovMikhail Barkov said the "transit of oil across Belarus won't be cut under any circumstances."

Front-month February reformulated gasoline blendstock, or RBOB, rose 4.90 cents to $2.1020 a gallon. February heating oil added 2.9% or 6.07 cents, to $2.1763 a gallon.

FUND SCORECARD

HF Convertible Arbitrage

Profit from pricing discrepancy of a company´s stock and its convertible bonds. Since pricing discrepancies are small, many employ leverage to increase return. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending January 04, 2010

Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US** YTD	1-YR	2-YR	5-YR
NS	**Kallista CB Arbitrage EUR Fund Ltd**	ADI - Alternative Investments	EUR	Cayman Isl	**NS**	65.38	-13.87	-0.19
1	**Acuity Partners LP**	Acuity Capital Management LLC	USD	United States	**48.07**	52.59	-18.07	-3.49
1	**Acuity Fund Ltd**	Acuity Capital Management LLC	USD	British VI	**46.34**	50.81	-18.66	-3.87
2	**JB Convertible Bond Hedge Fd**	Augustus Asset Managers Limited	USD	Cayman Isl	**39.57**	47.92	-1.28	NS
3	**Advent Convertible Arbitrage Fund**	Advent Capital Management, LLC	USD	United States	**39.51**	45.45	3.17	3.78
3	**Advent Cov Arb (Cayman) Ltd**	Advent Capital Management, LLC	USD	Cayman Isl	**39.44**	45.44	3.37	3.87
1	**Mohican VCA Offshore Fund Ltd**	Mohican Financial Mgt LLC	USD	Cayman Isl	**46.57**	40.10	9.34	9.53
1	**Mohican VCA Fund LP**	Mohican Financial Mgt LLC	USD	Cayman Isl	**46.27**	39.54	8.86	9.11
4	**ACM Phoenix Convertible Fund**	Advent Capital Management, LLC	USD	Cayman Isl	**30.42**	38.77	0.77	3.28
NS	**Concordia Class B Volatility Arbitrage**	Concordia Advisors (Bermuda) Ltd.	USD	Bermuda	**24.03**	37.83	15.19	7.54

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW Top-Div.Int.	GL	EQ	LUX	12/31	EUR	54.63	21.2	21.2	-28.4

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Am Eq Blend A	OT	OT	LUX	12/31	USD	10.37	26.3	26.3	-15.3
Am Eq Blend B	US	EQ	LUX	12/31	USD	9.75	25.2	25.2	-16.1
Am Growth A	US	EQ	LUX	12/31	USD	31.24	36.4	36.4	-6.5
Am Growth AX	US	EQ	LUX	12/31	USD	33.72	37.2	37.2	-5.9
Am Growth B	US	EQ	LUX	12/31	USD	26.26	35.0	35.0	-7.4
Am Growth C	US	EQ	LUX	12/31	USD	28.26	35.8	35.8	-6.8
Am Growth I	US	EQ	LUX	12/31	USD	34.62	37.5	37.5	-5.7
Am Income A	US	BD	LUX	12/31	USD	8.43	25.0	25.0	5.3
Am Income A2	US	BD	LUX	12/31	USD	19.04	25.1	25.1	5.3
Am Income A2	OT	OT	NA	12/31	HKD	147.64	NS	NS	NS
Am Income AT	OT	OT	NA	12/31	HKD	65.21	NS	NS	NS
Am Income AT	US	BD	LUX	12/31	USD	8.41	25.1	25.1	5.3
Am Income B	US	BD	LUX	12/31	USD	8.43	24.0	24.0	4.5
Am Income B2	US	BD	LUX	12/31	USD	16.41	24.2	24.2	4.6
Am Income B2	OT	OT	NA	12/31	HKD	127.25	NS	NS	NS
Am Income BT	OT	OT	NA	12/31	HKD	65.60	NS	NS	NS
Am Income BT	US	BD	LUX	12/31	USD	8.46	24.3	24.3	4.6
Am Income C	US	BD	LUX	12/31	USD	8.43	24.4	24.4	4.8
Am Income C2	US	BD	LUX	12/31	USD	24.40	24.6	24.6	4.8
Am Income I	US	BD	LUX	12/31	USD	8.43	25.8	25.8	6.0
Am Value A	US	EQ	LUX	12/31	USD	8.53	18.3	18.3	-14.4
Am Value B	US	EQ	LUX	12/31	USD	7.85	17.0	17.0	-15.2
Am Value C	US	EQ	LUX	12/31	USD	8.53	17.7	17.7	-14.8
Am Value I	US	EQ	LUX	12/31	USD	9.18	19.2	19.2	-13.7
Emg Mkts Debt A	GL	BD	LUX	12/31	USD	15.56	44.3	44.3	7.6
Emg Mkts Debt A2	GL	BD	LUX	12/31	USD	20.11	44.5	44.5	7.7
Emg Mkts Debt AT	GL	BD	LUX	12/31	USD	15.60	44.5	44.5	7.7
Emg Mkts Debt B	GL	BD	LUX	12/31	USD	15.56	42.9	42.9	6.6
Emg Mkts Debt B2	GL	BD	LUX	12/31	USD	19.36	43.0	43.0	6.6
Emg Mkts Debt BT	GL	BD	LUX	12/31	USD	15.58	43.0	43.0	6.6
Emg Mkts Debt C	GL	BD	LUX	12/31	USD	15.56	43.7	43.7	7.2
Emg Mkts Debt C2	GL	BD	LUX	12/31	USD	19.76	43.8	43.8	7.2
Emg Mkts Debt I	GL	BD	LUX	12/31	USD	15.56	45.0	45.0	8.2
Emg Mkts Growth A	GL	EQ	LUX	12/31	USD	34.65	72.9	72.9	-13.5
Emg Mkts Growth B	GL	EQ	LUX	12/31	USD	29.37	71.3	71.3	-14.3
Emg Mkts Growth C	GL	EQ	LUX	12/31	USD	30.04	72.1	72.1	-13.8
Emg Mkts Growth I	GL	EQ	LUX	12/31	USD	38.41	74.3	74.3	-12.8
Eur Growth A	OT	OT	LUX	12/31	USD	10.06	26.2	26.2	-17.8
Eur Growth A	OT	OT	LUX	12/31	EUR	7.03	26.2	26.2	-17.8
Eur Growth B	OT	OT	LUX	12/31	EUR	6.32	24.9	24.9	-18.7
Eur Growth B	OT	OT	LUX	12/31	USD	9.05	24.9	24.9	-18.7
Eur Growth C	EU	EQ	LUX	12/31	EUR	5.33	25.7	25.7	-18.2
Eur Growth I	OT	OT	LUX	12/31	USD	10.98	27.2	27.2	-17.1
Eur Growth I	OT	OT	LUX	12/31	EUR	7.67	27.2	27.2	-17.1
Eur Income A	OT	OT	LUX	12/31	EUR	6.60	39.7	39.7	3.9
Eur Income A	OT	OT	LUX	12/31	USD	9.45	39.7	39.7	3.9
Eur Income A2	OT	OT	LUX	12/31	EUR	12.87	39.7	39.7	3.8
Eur Income A2	OT	OT	LUX	12/31	USD	18.42	39.7	39.7	3.8
Eur Income AT	EU	BD	LUX	12/31	EUR	6.58	39.5	39.5	3.8
Eur Income B	OT	OT	LUX	12/31	EUR	6.60	38.8	38.8	3.2
Eur Income B	OT	OT	LUX	12/31	USD	9.45	38.8	38.8	3.2
Eur Income B2	OT	OT	LUX	12/31	EUR	11.97	38.7	38.7	3.1
Eur Income B2	OT	OT	LUX	12/31	USD	17.14	38.7	38.7	3.1
Eur Income BT	EU	BD	LUX	12/31	EUR	6.59	38.9	38.9	3.1
Eur Income C	OT	OT	LUX	12/31	EUR	6.60	39.1	39.1	3.4
Eur Income C	OT	OT	LUX	12/31	USD	9.45	39.1	39.1	3.4
Eur Income C2	OT	OT	LUX	12/31	EUR	12.83	39.2	39.2	3.4
Eur Income C2	OT	OT	LUX	12/31	USD	18.37	39.2	39.2	3.4
Eur Income I	OT	OT	LUX	12/31	EUR	6.60	40.3	40.3	4.5
Eur Income I	OT	OT	LUX	12/31	USD	9.45	40.3	40.3	4.5
Eur Strat Value A	OT	OT	LUX	12/31	EUR	8.53	22.6	22.6	-21.9
Eur Strat Value A	OT	OT	LUX	12/31	USD	12.21	22.6	22.6	-21.9
Eur Strat Value I	OT	OT	LUX	12/31	EUR	8.74	23.6	23.6	-21.1
Eur Strat Value I	OT	OT	LUX	12/31	USD	12.51	23.6	23.6	-21.1
Eur Value A	OT	OT	LUX	12/31	EUR	9.20	26.4	26.4	-18.6
Eur Value A	OT	OT	LUX	12/31	USD	13.17	26.4	26.4	-18.6
Eur Value B	OT	OT	LUX	12/31	USD	12.11	25.0	25.0	-19.5
Eur Value B	OT	OT	LUX	12/31	EUR	8.46	25.0	25.0	-19.5
Eur Value C	OT	OT	LUX	12/31	USD	12.73	25.6	25.6	-19.1
Eur Value C	OT	OT	LUX	12/31	EUR	8.89	25.6	25.6	-19.1
Eur Value I	OT	OT	LUX	12/31	USD	15.20	27.2	27.2	-18.0
Eur Value I	OT	OT	LUX	12/31	EUR	10.62	27.2	27.2	-18.0
GI Balanced (Euro) A	OT	OT	LUX	12/31	USD	16.42	21.0	21.0	-11.3
GI Balanced (Euro) B	OT	OT	LUX	12/31	USD	15.99	19.7	19.7	-12.2
GI Balanced (Euro) C	OT	OT	LUX	12/31	USD	16.29	20.7	20.7	-11.6
GI Balanced (Euro) I	OT	OT	LUX	12/31	USD	16.72	NS	NS	NS
GI Balanced A	US	BA	LUX	12/31	USD	16.48	24.0	24.0	-10.8
GI Balanced B	US	BA	LUX	12/31	USD	15.67	22.8	22.8	-11.7
GI Balanced C	OT	OT	LUX	12/31	USD	16.24	23.7	23.7	-11.1
GI Balanced C	OT	OT	LUX	12/31	EUR	11.34	23.7	23.7	-11.1
GI Balanced I	US	BA	LUX	12/31	USD	17.09	24.8	24.8	-10.2
GI Bond A	US	BD	LUX	12/31	USD	9.24	12.6	12.6	4.4
GI Bond A2	US	BD	LUX	12/31	USD	16.01	12.7	12.7	4.4
GI Bond A2	OT	OT	NA	12/31	HKD	124.14	12.7	12.7	4.4
GI Bond AT	OT	OT	LUX	12/31	HKD	71.49	12.7	12.7	4.3
GI Bond AT	US	BD	LUX	12/31	USD	9.22	12.7	12.7	4.3
GI Bond B	US	BD	LUX	12/31	USD	9.24	11.5	11.5	3.3
GI Bond B2	US	BD	LUX	12/31	USD	14.02	11.5	11.5	3.3
GI Bond B2	OT	OT	NA	12/31	HKD	108.71	11.5	11.5	3.3
GI Bond BT	OT	OT	LUX	12/31	HKD	71.80	11.5	11.5	3.3
GI Bond BT	US	BD	LUX	12/31	USD	9.26	11.5	11.5	3.3
GI Bond C	US	BD	LUX	12/31	USD	9.24	12.1	12.1	3.9
GI Bond C2	US	BD	LUX	12/31	USD	13.89	12.1	12.1	3.9
GI Bond I	US	BD	LUX	12/31	USD	9.24	13.2	13.2	5.0
GI Conservative A	US	BA	LUX	12/31	USD	14.87	15.4	15.4	-4.4
GI Conservative A2	US	BA	LUX	12/31	USD	16.93	16.1	16.1	-4.2
GI Conservative B	US	BA	LUX	12/31	USD	14.86	14.5	14.5	-5.3
GI Conservative B2	US	BA	LUX	12/31	USD	16.09	15.0	15.0	-5.1
GI Conservative C	US	BA	LUX	12/31	USD	14.86	15.0	15.0	-4.8
GI Conservative C2	US	BA	LUX	12/31	USD	16.56	15.6	15.6	-4.6
GI Conservative I	US	BA	LUX	12/31	USD	14.94	16.3	16.3	-3.7
GI Eq Blend A	GL	EQ	LUX	12/31	USD	11.66	30.4	30.4	-21.2
GI Eq Blend B	GL	EQ	LUX	12/31	USD	10.95	29.3	29.3	-22.0
GI Eq Blend C	GL	EQ	LUX	12/31	USD	11.46	29.9	29.9	-21.5
GI Eq Blend I	GL	EQ	LUX	12/31	USD	12.30	31.6	31.6	-20.6
GI Growth A	GL	EQ	LUX	12/31	USD	41.91	30.0	30.0	-22.1
GI Growth B	GL	EQ	LUX	12/31	USD	34.98	28.7	28.7	-22.9
GI Growth C	GL	EQ	LUX	12/31	USD	40.21	29.3	29.3	-22.5
GI Growth I	GL	EQ	LUX	12/31	USD	46.53	31.0	31.0	-21.5
GI High Yield A	US	BD	LUX	12/31	USD	4.33	60.6	60.6	4.3
GI High Yield A2	US	BD	LUX	12/31	USD	9.26	60.8	60.8	4.3
GI High Yield A2	OT	OT	NA	12/31	HKD	71.80	60.8	60.8	4.3
GI High Yield AT	OT	OT	NA	12/31	HKD	33.19	60.9	60.9	4.2
GI High Yield AT	US	BD	LUX	12/31	USD	4.28	60.9	60.9	4.2
GI High Yield B	US	BD	LUX	12/31	USD	4.33	58.6	58.6	3.0
GI High Yield B2	US	BD	LUX	12/31	USD	14.88	59.1	59.1	3.2
GI High Yield B2	OT	OT	NA	12/31	HKD	115.38	59.1	59.1	3.2
GI High Yield BT	OT	OT	NA	12/31	HKD	33.81	59.1	59.1	3.2
GI High Yield BT	US	BD	LUX	12/31	USD	4.36	59.1	59.1	3.2
GI High Yield C	US	BD	LUX	12/31	USD	4.33	59.7	59.7	3.7
GI High Yield C2	US	BD	LUX	12/31	USD	13.72	60.1	60.1	3.8
GI High Yield I	US	BD	LUX	12/31	USD	4.33	61.7	61.7	5.0
GI Thematic Res. A	OT	OT	LUX	12/31	USD	14.73	68.3	68.3	-4.2
GI Thematic Res. B	OT	OT	LUX	12/31	USD	12.89	66.8	66.8	-5.1
GI Thematic Res. I	OT	OT	LUX	12/31	USD	16.43	69.7	69.7	-3.4
GI Value A	GL	EQ	LUX	12/31	USD	11.14	31.2	31.2	-20.3
GI Value B	GL	EQ	LUX	12/31	USD	10.24	29.9	29.9	-21.1
GI Value C	GL	EQ	LUX	12/31	USD	10.83	30.6	30.6	-20.6
GI Value I	GL	EQ	LUX	12/31	USD	11.85	32.3	32.3	-19.6
Greater China A	AS	EQ	LUX	12/31	USD	40.03	56.1	56.1	-16.9
Greater China B	AS	EQ	LUX	12/31	USD	35.42	54.5	54.5	-17.7
Greater China C	AS	EQ	LUX	12/31	USD	39.52	55.3	55.3	-17.3
India Growth A	OT	OT	LUX	12/31	USD	126.91	NS	NS	NS
India Growth AX	OT	OT	LUX	12/31	USD	110.94	92.0	92.0	-10.4
India Growth B	OT	OT	LUX	12/31	USD	132.95	NS	NS	NS
India Growth BX	OT	OT	LUX	12/31	USD	94.83	90.2	90.2	-11.2
India Growth I	EA	EQ	LUX	12/31	USD	114.96	92.9	92.9	-10.0
Int'l Health Care A	OT	EQ	LUX	12/31	USD	137.47	17.1	17.1	-8.5
Int'l Health Care B	OT	EQ	LUX	12/31	USD	115.95	15.9	15.9	-9.4
Int'l Health Care C	OT	EQ	LUX	12/31	USD	131.75	16.6	16.6	-8.9
Int'l Health Care I	OT	EQ	LUX	12/31	USD	150.19	18.0	18.0	-7.7
Int'l Technology A	OT	EQ	LUX	12/31	USD	110.36	50.9	50.9	-11.8
Int'l Technology B	OT	EQ	LUX	12/31	USD	95.63	49.4	49.4	-12.7
Int'l Technology C	OT	EQ	LUX	12/31	USD	106.65	50.2	50.2	-12.2
Int'l Technology I	OT	EQ	LUX	12/31	USD	123.74	52.1	52.1	-11.1
Japan Eq Blend A	JP	EQ	LUX	12/31	JPY	6024.00	12.3	12.3	-22.3
Japan Eq Blend B	JP	EQ	LUX	12/31	JPY	5813.00	11.1	11.1	-23.1
Japan Eq Blend C	JP	EQ	LUX	12/31	JPY	5927.00	11.7	11.7	-22.7
Japan Growth A	JP	EQ	LUX	12/31	JPY	5874.00	5.6	5.6	-22.9
Japan Growth B	JP	EQ	LUX	12/31	JPY	5668.00	4.6	4.6	-23.7
Japan Growth C	JP	EQ	LUX	12/31	JPY	5780.00	5.1	5.1	-23.3
Japan Strat Value A	JP	EQ	LUX	12/31	JPY	6120.00	18.7	18.7	-22.2
Japan Strat Value B	JP	EQ	LUX	12/31	JPY	5911.00	17.5	17.5	-23.0
Japan Strat Value C	JP	EQ	LUX	12/31	JPY	6018.00	18.1	18.1	-22.5
Real Estate Sec. A	OT	EQ	LUX	12/31	USD	14.35	34.5	34.5	-15.2
Real Estate Sec. B	OT	EQ	LUX	12/31	USD	13.12	33.2	33.2	-16.1
Real Estate Sec. I	OT	EQ	LUX	12/31	USD	15.42	35.5	35.5	-14.5
Short Mat Dollar A	US	BD	LUX	12/31	USD	7.27	11.7	11.7	-5.9
Short Mat Dollar A2	US	BD	LUX	12/31	USD	9.79	11.8	11.8	-5.9
Short Mat Dollar AT	US	BD	LUX	12/31	USD	7.25	11.8	11.8	-5.9
Short Mat Dollar B	US	BD	LUX	12/31	USD	7.27	11.3	11.3	-6.3
Short Mat Dollar B2	US	BD	LUX	12/31	USD	9.74	11.2	11.2	-6.4
Short Mat Dollar BT	OT	OT	LUX	12/31	USD	7.27	10.6	10.6	-6.6
Short Mat Dollar C	US	BD	LUX	12/31	USD	7.27	11.3	11.3	-6.3
Short Mat Dollar C2	US	BD	LUX	12/31	USD	13.77	11.2	11.2	-6.3
Short Mat Dollar I	US	BD	LUX	12/31	USD	7.27	12.3	12.3	-5.3

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Alexandra Convertible Bond Fund L Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS

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Private Banking & Wealth Management Group

■ CREDIT PACIFIC ASSET MANAGMENT
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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
CPS-Master Priv Fund	GL	OT	WSM	12/28	USD	121.52	21.5	21.5	20.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Superfund Cayman*	OT	OT	CYM	12/29	USD	41.97	-49.6	-49.9	-5.7
Superfund GCT USD*	GL	EQ	LUX	12/29	USD	2220.00	-39.2	-39.6	-5.1
Superfund Green Gold A (SPC)	OT	OT	CYM	12/29	USD	973.81	-16.2	-12.7	7.7
Superfund Green Gold B (SPC)	OT	OT	CYM	12/29	USD	941.66	-30.1	-27.5	3.5
Superfund Q-AG*	OT	OT	AUT	12/29	EUR	6628.00	-24.4	-24.8	1.2

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9

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MARKETS

U.S. stocks benefit from weaker dollar

By Kristina Peterson And Peter A. McKay

NEW YORK—U.S. stocks jumped, boosted by a sinking dollar and rising commodities prices.

On the year's first day of trading, the Dow Jones Industrial Average was up 156.59 points, or 1.5%, at 10584.64 at midday. **Cisco Systems** led the measure, up 3.6%. **Alcoa** climbed 3.5%. One of the few components in the red, **Walt Disney**, eased 0.3%.

ABREAST OF THE MARKET

The tech-heavy Nasdaq Composite rose 40.21 points, or 1.8%, to 2309.36. The Standard & Poor's 500-share index climbed 17.50 points, or 1.6%, to 1132.60 as all of its sectors rose. The materials and energy sectors led the measure, boosted by rising commodities prices.

Reasserting a pattern that trailed off at year's end, U.S. stocks climbed as the dollar fell. The U.S. Dollar Index, which represents the greenback against a basket of six other currencies, dropped 0.5%. A cold snap in the northern U.S. helped to push oil prices back above $81 per barrel level for the first time in two months.

The Dow's climb was strengthened Monday by data from the Institute for Supply Management showing a bigger-than-expected uptick in manufacturing activity during December, helped by improving production and ordering activity.

"You've got a lot of the economic data working in the right direction, plus there is a lot of money being put to work to start the year," said strategist Bruce Bittles, of R.W. Baird & Co. "That said, I think this is going to be a difficult market in which to make money in the longer term."

Alcon dropped 6.5% after **Novartis** offered to buy out minority holders of the eye-care firm for $11.2 billion.

Chesapeake Energy climbed 6.5% after it inked a $2.25 billion pact with **Total** to sell a 25% stake in Barnett shale gas assets.

European markets

Stocks rose, sending the pan-European Dow Jones Stoxx 600 to its sixth rise in seven sessions. The index added 1.6% to 257.31.

The German DAX gained 1.5% to 6048.30, and the French CAC 40 rose 2% to 4013.97, its eighth gain in nine sessions. The U.K. FTSE 100 added 1.6% to 5500.34.

Novartis fell 2.8% in Zurich on the Alcon deal, which included the purchase of a 52% stake from **Nestlé**. Nestlé gained 1.4%.

Total gained 1.8% in Paris on rising oil prices and the deal with Chesapeake Energy.

Renault rose 5.5% in Paris. The car maker sold 94% more cars in France during December, as customers acted before a government-backed scrapping bonus is reduced.

Dollar slides as investors take on risk

By Fabio Alves

NEW YORK—The dollar tumbled Monday as stronger global manufacturing data stoked appetite for risk, fueling a rally in oil, gold, stocks and higher-yielding currencies.

Currencies from countries rich in commodities, such as Australia and Canada, led the gains. The euro surged past $1.44, while the greenback retreated from a four-month high against the yen to trade below 93 yen.

CURRENCY MARKETS

"It seems that the better PMI reports in the U.S., China and Europe have encouraged markets to anticipate flows back to these growth-sensitive economies," Daniel Katzive, a foreign-exchange strategist at Credit Suisse, said of the purchasing managers' index figures on manufacturing.

At midday, the euro was at $1.4416 from $1.4316 late Thursday. The dollar was at 92.62 yen from 93.08 yen, while the euro was at 133.52 yen from 133.35 yen. The U.K. pound was at $1.6117 from $1.6163. The dollar was at 1.0291 Swiss francs, from 1.0354 francs.

Signs of a pick up in manufacturing activity in China and Europe sent oil above $81 a barrel overnight, while silver and copper jumped more than 2%.

The Australian dollar rose to 91.22 U.S. cents from 89.83 cents late Thursday.

Japan Airlines gives Tokyo shares a lift

By Colin Ng And Philip Vahn

Japanese shares began the new year with gains, as **Japan Airlines** climbed on hopes for a financial lifeline and exporters advanced on the yen's recent weakness.

Japan Airlines surged 31% amid strong volumes, after the Japanese government asked state-backed Development Bank of Japan to extend more financial support to the airline. In a statement on its Web site Sunday, the bank said it will consider the request.

ASIAN-PACIFIC STOCKS

Among exporters, **Sony** rose 2.3% and **Honda Motor** gained 1.9%. The increases helped the Nikkei Stock Average of 225 companies gain 1% to 10654.79, its highest close since Oct. 3, 2008.

Most other major Asian markets kicked off 2010 on a modestly positive note as strong manufacturing data from China and India helped support hopes for continued economic recovery.

Chinese shares declined, however, with the Shanghai Composite falling 1% to 3243.76 after tacking on 4.3% in the previous four sessions. The performance weighed on Chinese shares traded in Hong Kong, and the benchmark Hang Seng Index edged down 0.2% to 21823.28.

China's manufacturing activity, as measured by the HSBC purchasing managers' index, rose to 56.1 in December, compared with 55.7 in November. Data released separately showed HSBC PMI for India jumped to 55.6 in December from 53 in November. A reading above 50 indicates an increase in manufacturing activity.

Beijing Huaye Realestate dropped 2.2%, **Baoshan Iron & Steel** fell 2.2% and **Industrial & Commercial Bank of China** shed 1.7%. In Hong Kong, **China Petroleum & Chemical** declined 2.6% while **ICBC** gave up 1.1%.

Elsewhere, South Korea's Kospi rose 0.8% to 1696.14, its highest close since Sept. 23. Taiwan's Taiex added 0.2% to 8207.85. India's Sensex advanced 0.5% to 17558.73, its sixth gain in seven sessions.

In Seoul, the stock exchange suspended trading in **Kumho Tire**, citing rumors of bankruptcy. An official at Korea Development Bank, who declined to be named, said the company wasn't bankrupt as its debts have been frozen as part of a debt workout program.

Lee Seong-jae, an analyst at Kiwoom Securities, said the outlook for Kumho remained uncertain. "The process of a debt workout is usually long and painful."

Steel stocks rose in Taipei. **China Steel** added 3.3% after the Economic Daily reported the island state's largest steel maker by revenue will work through the Lunar New Year holiday in February to meet demand.

—V. Phani Kumar contributed to this article.

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Allianz Global Investors

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	12/30	EUR	52.17	34.2	34.2	-12.0
Industria AE	EU	EQ	DEU	12/30	EUR	71.52	36.7	36.7	-17.2
InternRent AE	EU	BD	DEU	12/30	EUR	35.22	3.7	3.7	10.0

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Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

CAM-GTF Limited	AS	EQ	MUS	12/24	USD	270374.49	100.4	97.4	3.1

GAM

■ GAM FUND MANAGEMENT LIMITED

George's Court, 54-62 Townsend Street, Dublin 2, Ireland

Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

GAM Arbitrage Op	OT	OT	VGB	12/18	USD	1251.05	23.4	20.3	-8.5
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	12/29	JPY	15173.67	61.9	63.5	1.4
GAM Asia Equity Hedge US	OT	OT	VGB	12/29	USD	285.06	63.3	67.3	3.2
GAM Asia Equity USD	OT	OT	VGB	12/31	USD	655.44	63.3	63.3	-13.3
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/31	USD	1287.07	19.8	19.8	-15.7
GAM Com Glb Bal EUR Op	US	BA	VGB	12/14	EUR	93.10	14.7	17.0	-9.9
GAM Com Glb Bal USD Op	US	BA	VGB	12/14	USD	127.31	14.7	17.0	-9.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/14	EUR	95.07	21.3	24.9	-17.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/14	USD	126.70	21.3	24.9	-17.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/14	EUR	83.88	15.0	17.9	-14.3
GAM Comp Glb Gr USD Op	US	BA	VGB	12/14	USD	126.34	15.0	17.9	-14.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	12/29	USD	250.35	37.4	43.2	-11.8
GAM Cross Trading Inc	OT	OT	VGB	12/14	USD	464.04	6.1	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	12/14	CHF	94.54	4.5	3.8	-6.9
GAM Diversity EUR Op	OT	OT	VGB	12/14	EUR	649.99	5.3	4.9	-5.3
GAM Diversity USD 2.5XL	OT	OT	VGB	12/14	USD	78.80	9.2	8.2	NS
GAM Diversity USD Op	OT	OT	VGB	12/14	USD	682.53	5.3	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	12/14	CHF	99.84	4.4	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	12/14	EUR	139.19	4.9	4.1	-5.4
GAM Dvrsty II USD Op	OT	OT	VGB	12/14	USD	210.84	4.9	NS	-5.6
GAM DvrstyIII EUR Op	OT	OT	VGB	12/14	EUR	115.92	4.9	4.1	-5.5
GAM DvrstyIII USD Op	OT	OT	VGB	12/14	USD	122.37	4.9	4.1	-5.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	12/29	EUR	219.18	11.1	13.4	-4.6
GAM Euro Eq Hdg USD Op	OT	OT	VGB	12/29	USD	203.67	11.8	13.7	-3.0
GAM European Equity USD	OT	OT	VGB	12/30	USD	294.97	25.4	25.6	-14.6
GAM GAMCO	OT	EQ	VGB	12/29	USD	817.72	40.9	49.9	-10.6
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	12/29	EUR	97.29	12.8	12.9	-17.0
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	12/29	USD	102.58	13.3	13.5	-16.3
GAM Gbl Divers USD Inc.	GL	EQ	VGB	12/29	USD	253.09	23.9	26.1	-7.5
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	12/29	USD	280.49	96.4	99.4	20.5
GAM Intrst Trend II	GL	BD	VGB	12/29	USD	93.98	42.2	38.5	-9.2
GAM Intrst Trend Inc	OT	OT	VGB	12/29	USD	251.14	57.6	57.1	-7.2
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	12/29	EUR	117.54	10.1	10.6	-7.0
GAM Japan Eq Hdg USD Op	OT	OT	VGB	12/29	USD	122.59	9.0	9.0	-19.0
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	12/29	JPY	8442.36	9.4	10.2	-18.1
GAM Japan USD	JP	EQ	VGB	12/31	USD	1102.76	6.6	6.6	-16.5
GAM Japan YEN	JP	EQ	VGB	12/31	JPY	8825.41	10.2	10.2	-23.1
GAM Money Mkt EuroOp	EU	MM	VGB	12/30	EUR	51.20	0.1	0.1	1.7
GAM Money Mkt USD	US	MM	VGB	12/30	USD	99.90	-0.1	-0.1	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	12/14	EUR	113.29	1.1	-0.9	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	12/14	USD	118.28	1.3	-0.8	-8.8
GAM Multi-China EUR Op	OT	OT	VGB	12/14	EUR	167.99	13.1	13.0	-8.8
GAM Multi-China USD Op	OT	OT	VGB	12/14	USD	176.61	13.7	13.6	-9.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/14	GBP	130.34	24.6	23.9	-3.0
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/14	USD	645.36	24.6	23.9	-3.4
GAM Multi-Eur EUR Op	OT	OT	VGB	12/14	EUR	267.99	6.8	6.0	-10.3
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/14	EUR	137.89	6.7	8.6	-10.3
GAM Multi-Eur II USD Op	OT	OT	VGB	12/14	USD	112.76	6.3	8.2	-11.3
GAM Multi-Eur USD Op	OT	OT	VGB	12/14	USD	466.44	6.4	5.6	-11.2
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/14	EUR	132.77	11.4	12.3	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/14	USD	216.31	11.8	13.0	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/14	EUR	142.45	4.5	4.1	-4.8
GAM Multi-Pac USD Op	OT	OT	VGB	12/14	USD	164.43	4.6	4.4	-5.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/29	USD	2636.88	69.5	75.0	9.1
GAM Sing/Malaysia	AS	EQ	VGB	12/31	USD	2554.67	53.8	53.8	-10.8
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/29	GBP	243.05	40.7	41.4	2.2
GAM Trading EUR Inc	OT	OT	VGB	12/14	EUR	323.84	5.9	5.4	6.8
GAM Trading USD Inc	OT	OT	VGB	12/14	USD	969.19	6.1	5.7	6.3
GAM Trdg II IncEUR Op	OT	OT	VGB	12/14	EUR	138.52	5.8	5.3	6.8
GAM Trdg II IncUSD Op	OT	OT	VGB	12/14	USD	314.69	6.1	5.7	6.3
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/14	EUR	146.18	5.6	5.0	6.5
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/14	USD	153.91	5.9	5.4	6.2
GAM Trdg V IncEUR Op	OT	OT	VGB	12/14	EUR	123.94	5.6	4.9	6.3
GAM Trdg V IncUSD Op	OT	OT	VGB	12/14	USD	129.08	5.8	5.4	6.1
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/14	EUR	156.35	5.7	5.2	6.5
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/14	USD	161.86	5.9	5.5	6.2
GAM USDSpecBondInc	US	BD	VGB	12/29	USD	527.31	73.4	75.7	6.4
GAM Worldwide	GL	EQ	VGB	12/30	USD	2253.36	25.8	26.6	-10.3
GAMut Investments	OT	OT	VGB	12/23	USD	7557.00	4.1	3.7	7.7

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	12/30	CHF	10.93	54.3	57.8	-16.8
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	12/30	EUR	11.77	57.3	60.9	-11.4
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	12/30	GBP	1.56	47.1	46.9	-2.5
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	12/30	USD	13.26	61.7	63.9	-12.2
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/29	EUR	101.39	20.0	21.6	-13.4
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/29	EUR	98.12	20.0	21.6	-13.4
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	12/30	EUR	11.00	25.0	25.0	-11.3
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	12/30	EUR	182.29	24.5	25.8	-13.7
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	12/30	EUR	166.57	24.4	25.7	-13.7
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	12/30	USD	15.93	27.7	27.8	-14.6
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	12/30	USD	14.45	27.6	27.8	-14.6
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/29	USD	5.52	17.3	18.5	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/29	EUR	89.03	9.4	10.0	-12.3
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/29	EUR	89.03	9.4	10.0	-12.3
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/29	JPY	927.76	10.6	11.4	-22.7
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/29	USD	11.26	7.0	7.7	-15.7
GAMStar-World EqUSD Acc	GL	EQ	IRL	12/30	USD	2232.15	26.8	27.6	-9.8

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	01/04	USD	15.11	27.3	27.3	-12.9
American Growth AA	US	EQ	LUX	01/04	USD	0.87	26.9	26.9	-6.2
Asian Equity	AS	EQ	LUX	01/04	USD	2.47	63.9	63.9	-10.4
Asian Equity AA	AS	EQ	LUX	01/04	USD	0.80	63.2	63.2	-10.7
Asian Sm Cap Equity AA	AS	EQ	LUX	01/04	USD	1.17	91.9	91.9	-6.9
China Value A	AS	EQ	LUX	01/04	USD	7.14	64.7	64.7	-7.6
China Value AA	AS	EQ	LUX	01/04	USD	2.25	64.2	64.2	-7.8
Dragon Growth	AS	EQ	LUX	01/04	USD	1.65	67.6	67.6	-10.1
Dragon Growth AA	OT	OT	LUX	01/04	HKD	8.03	67.5	67.5	-11.2
Emg Eastrn Europe A	EU	EQ	LUX	01/04	USD	4.67	95.7	95.7	-19.3
Emg Eastrn Europe AA	EU	EQ	LUX	01/04	USD	2.01	95.4	95.4	-19.5
European Growth	EU	EQ	LUX	01/04	USD	9.26	42.3	42.3	-18.5
European Growth AA	EU	EQ	LUX	01/04	USD	0.66	42.0	42.0	-18.6
Global Contrarain AA	GL	EQ	LUX	01/04	USD	0.89	83.1	83.1	NS
Global Property AA	OT	EQ	LUX	01/04	USD	0.67	47.0	47.0	-13.9
Global Resources AA	OT	EQ	LUX	01/04	USD	1.09	53.8	53.8	-12.7
Healthcare AA	OT	EQ	LUX	01/04	USD	0.93	14.7	14.7	NS
India Equity AA	EA	EQ	LUX	01/04	USD	1.11	81.1	81.1	-19.0
International Growth	GL	EQ	LUX	01/04	USD	3.05	22.4	22.4	-16.0
International Growth AA	GL	EQ	LUX	01/04	USD	0.71	22.1	22.1	-16.2
Japanese Growth	JP	EQ	LUX	01/04	USD	2.77	6.4	6.4	-13.7
Japanese Growth AA	JP	EQ	LUX	01/04	USD	0.72	6.1	6.1	-14.0
Latin America Equity AA	GL	EQ	LUX	01/04	USD	1.30	105.7	105.7	-4.5
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/04	USD	1.00	NS	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/04	USD	1.15	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	01/04	USD	0.65	126.3	126.3	-24.1
Taiwan Equity AA	AS	EQ	LUX	01/04	USD	1.09	85.6	85.6	1.4
Turkey Equity AA	EE	EQ	LUX	12/31	USD	0.77	109.3	109.3	-14.3
U.S. Bond AA	US	BD	LUX	12/31	USD	1.11	17.8	17.8	7.3
U.S. Sm Cap Equity AA	US	EQ	LUX	12/31	USD	0.82	71.0	71.0	-13.8
U.S. Special Opportunities	OT	OT	LUX	12/31	USD	0.81	81.4	81.4	0.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/31	USD	1.14	7.7	7.7	3.2

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	12/23	USD	123.61	114.3	105.0	-2.6

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED

www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	12/31	USD	8.02	86.9	86.9	-6.8

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT HTTP://WWW.SGAM.COM

A company of Amundi

Bonds Eur Hi Yld A	OT	OT	LUX	12/29	EUR	20.56	54.6	55.7	-1.5
Bonds EURO A	OT	OT	LUX	12/29	EUR	41.09	4.1	3.8	5.6
Bonds EUROPE A	OT	OT	LUX	12/29	EUR	39.01	3.0	2.9	4.7
Bonds US OppsCoreplus A	OT	OT	LUX	12/29	USD	36.97	17.2	18.3	8.8
Bonds World A	OT	OT	LUX	12/29	USD	42.18	5.9	4.6	7.2
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	12/30	USD	10.31	61.5	63.2	-13.5
Eq. China A	AS	EQ	LUX	12/30	USD	23.74	58.9	60.8	-14.7
Eq. Concentrated Euroland A	OT	OT	LUX	12/29	EUR	93.98	23.4	25.5	-19.4
Eq. ConcentratedEuropeA	EU	EQ	LUX	12/29	EUR	27.06	31.3	33.9	-18.0
Eq. Emerging Europe A	OT	OT	LUX	12/29	EUR	23.12	75.0	77.4	-27.7
Eq. Euroland A	EU	EQ	LUX	12/29	EUR	10.89	18.8	21.2	-20.5
Eq. Euroland Small Cap A	OT	OT	LUX	12/29	EUR	141.01	42.3	45.1	-12.5
Eq. EurolandCyclclsA	EU	EQ	LUX	12/29	EUR	17.88	30.2	33.1	-15.9
Eq. EurolandFinancialA	OT	EQ	LUX	12/29	EUR	11.40	35.3	38.2	-21.7
Eq. Glbl Emg Cty A	GL	EQ	LUX	12/29	USD	9.55	59.7	63.7	-16.0
Eq. Global A	GL	EQ	LUX	12/29	USD	28.02	33.2	35.9	-14.5
Eq. Global Energy A	OT	EQ	LUX	12/29	USD	18.24	28.0	31.1	-14.8
Eq. Global Resources A	OT	OT	LUX	12/29	USD	109.46	56.1	57.6	-10.4
Eq. Gold Mines A	OT	EQ	LUX	12/29	USD	30.39	45.3	46.1	2.0
Eq. India A	OT	OT	LUX	12/30	USD	129.67	78.4	77.2	-19.1
Eq. Japan CoreAlpha A	OT	OT	LUX	12/30	JPY	7254.02	23.3	23.3	-13.4
Eq. Latin America A	OT	OT	LUX	12/29	USD	115.78	86.0	91.8	-11.0
Eq. US Lg Cap Gr A	US	EQ	LUX	12/29	USD	15.40	42.8	46.9	-12.8
Eq. US Rel Val A	US	EQ	LUX	12/29	USD	20.74	33.5	39.4	-15.2
Eq. US Sm Cap Val A	US	EQ	LUX	12/29	USD	16.13	24.6	33.7	-19.9
Money Market EURO A	EU	MM	LUX	12/29	EUR	27.40	1.0	1.0	2.6
Money Market USD A	US	MM	LUX	12/29	USD	15.83	0.5	0.6	1.7

The National Investor

■ THE NATIONAL INVESTOR

TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	12/24	USD	966.38	2.8	-1.4	-26.9
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/24	AED	5.22	13.7	1.5	-32.2

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Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487

**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	12/15	USD	29.84	86.0	90.8	0.9
Intel-China Converg*	AS	EQ	CYM	12/15	USD	114.29	87.6	93.1	-0.6
VP Classic - A	AS	EQ	CYM	12/31	USD	186.48	82.9	82.9	-2.4
VP CLassic - B	AS	EQ	CYM	12/31	USD	86.92	82.0	82.0	-2.8
VP High Dividend Stk	AS	EQ	CYM	12/28	USD	45.43	82.8	81.4	-0.8

yuki
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■ YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	01/04	JPY	9534.00	9.9	9.9	-24.9
YMR-N Small Cap Fund	OT	OT	IRL	01/04	JPY	7015.00	9.3	9.3	-24.8
■ Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	01/04	JPY	6199.00	0.8	5.0	-25.0
Yuki 77 Growth	JP	EQ	IRL	01/04	JPY	5692.00	0.9	-3.8	-30.4
■ Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/04	JPY	6893.00	1.0	10.5	-21.5
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/04	JPY	7606.00	0.9	-7.1	-21.9
■ Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/04	JPY	4717.00	0.9	3.7	-25.3
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/04	JPY	5298.00	1.0	0.4	-19.1
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/04	JPY	5104.00	0.0	8.5	-21.2
■ Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/04	JPY	4463.00	1.0	5.0	-29.1
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/04	JPY	4688.00	0.5	4.4	-28.9
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/04	JPY	7043.00	1.0	15.4	-23.5
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/04	JPY	8694.00	0.9	8.4	-23.2
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/04	JPY	6429.00	1.1	2.8	-26.2
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/04	JPY	7685.00	0.7	-3.4	-21.9
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/04	JPY	5239.00	1.0	5.1	-23.8
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/04	JPY	11657.00	0.8	2.9	-17.9
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/04	JPY	8008.00	0.6	4.8	-28.6
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/04	JPY	7153.00	0.2	16.6	-23.0
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/04	JPY	5709.00	1.1	9.9	-20.2
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/04	JPY	2741.00	0.6	14.8	-29.9
■ Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	01/04	JPY	5463.00	0.8	7.1	-22.5

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Russia	2.79%	**2.8%**	112.3%
Brazil	1.98	**2.0**	99.1
Netherlands	1.96	**2.0**	35.1
France	1.72	**1.7**	20.2
Sweden	1.33	**1.3**	43.7
Switzerland	1.34	**1.3**	21.0
U.K.	1.26	**1.3**	19.3
Spain	1.26	**1.3**	13.1
Germany	1.17	**1.2**	15.2
Italy	0.98	**1.0**	18.6
Japan	0.82	**0.8**	5.7
Turkey	0.74	**0.7**	85.7
South Korea	0.73	**0.7**	45.1
South Africa	0.47	**0.5**	20.1
Canada	0.42	**0.4**	25.0
Australia	0.01	**unch.**	31.4
Singapore	-0.21	**-0.2%**	51.6
Hong Kong	-0.32	**-0.3**	35.2
China 88	-1.39	**-1.4**	75.1

Dow Jones Regional Sector Titans

Basic Res	2.60%	**2.6%**	76.3%
Oil Gas	2.26	**2.3**	17.6
Asian 50	0.91	**0.9**	28.8
EU Enlarged†-p	0.38	**0.4**	33.4
Global 50	0.44	**0.4**	18.5
Tiger 50*	0.32	**0.3**	49.1
Stoxx 50 -p	0.25	**0.3**	24.1
Nordic 30 -p	0.13	**0.1**	38.0
Euro Stoxx 50 -p	-0.04	**unch.**	21.1
Arab 50	-1.09	**-0.5%**	8.7

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Monday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Japan Tobacco	Japan	Tobacco	$33.5	323,000	**3.19%**	8.4%	-43.6%
Nintendo	Japan	Toys	31.3	22,620	**2.63**	-36.3	-21.6
Sony	Japan	Consumer Electronics	29.4	2,731	**2.28**	38.6	-47.6
Shin-Etsu Chml	Japan	Specialty Chemicals	24.5	5,340	**2.10**	26.8	-32.0
Honda Motor	Japan	Automobiles	62.6	3,170	**1.93**	61.9	-31.1
Mizuho Financial Grp	Japan	Banks	$24.6	162.00	**-2.41%**	-44.5	-81.2
QBE Ins Grp	Australia	Reinsurance	23.5	25.21	**-1.52**	1.2	-12.5
China Constr Bk	Hong Kong	Banks	190.9	6.59	**-1.20**	41.7	34.8
Sumitomo Mitsui Finl	Japan	Banks	28.5	2,615	**-1.13**	6141.1	-78.6
Indl Comm Bk China	Hong Kong	Banks	68.2	6.37	**-1.09**	46.8	33.3

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Mitsui Japan (Industrial Suppliers)	26.1	1,335	**1.83%**	36.5%	-21.0%
Nippon T&T Japan (Fixed Line Telecommunications)	53.0	3,705	**1.51**	-23.9	-39.0
Samsung Elec South Korea (Semiconductors)	103.3	809,000	**1.25**	70.0	39.0
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.7	54.05	**1.22**	27.2	-32.4
Panasonic Japan (Consumer Electronics)	29.9	1,338	**0.98**	17.3	-44.4
Shinhan Financial Grp South Korea (Banks)	17.9	43,600	**0.93**	40.1	-0.7
Canon Japan (Electronic Office Equipment)	52.6	3,945	**0.90**	39.4	-39.6
Kansai Elec Power Japan (Conventional Electricity)	21.9	2,119	**0.90**	-17.2	-33.8
Tokyo Elec Power Japan (Conventional Electricity)	34.4	2,355	**0.86**	-20.0	-39.5
East Japan Railway Japan (Travel Tourism)	25.3	5,920	**0.85**	8369.2	-28.0
Seven I Hldgs Japan (Broadline Retailers)	18.7	1,912	**0.79**	-36.3	-50.1
Nissan Motor Japan (Automobiles)	35.9	816.00	**0.74**	145.1	-43.5
Woodside Petroleum Australia (Exploration Production)	31.0	47.53	**0.70**	25.8	31.2
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	53.0	64.90	**0.62**	41.0	0.1
Tokio Marine Hldgs Japan (Property Casualty Insurance)	21.7	2,545	**0.59**	-2.1	-42.0
Mitsubishi Japan (Industrial Suppliers)	41.1	2,318	**0.56**	71.5	6.8
Takeda Pharm Japan (Pharmaceuticals)	32.8	3,850	**0.52**	-16.3	-51.9
Woolworths Australia (Food Retailers Wholesalers)	31.4	28.13	**0.46**	11.0	23.3
KDDI Japan (Mobile Telecommunications)	23.7	495,000	**0.41**	-21.2	-38.3
CNOOC Hong Kong (Exploration Production)	70.5	12.24	**0.33**	49.5	78.2

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Toyota Motor Japan (Automobiles)	132.4	3,890	**0.26%**	29.2%	-50.8%
NTT DoCoMo Japan (Mobile Telecommunications)	58.5	129,700	**0.08**	-27.5	-32.8
Aus NZ Bk Australia (Banks)	52.1	22.89	**0.04**	51.9	-16.8
Commonwlth Bk of Aus Australia (Banks)	75.7	54.87	**0.04**	91.9	12.7
RioZim Ltd Australia (General Mining)	41.3	74.92	**0.04**	124.4	36.6
National Australia Bk Australia (Banks)	52.1	27.40	**...**	35.4	-31.1
Westpac Bking Australia (Banks)	66.9	25.30	**...**	52.0	7.8
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	40.7	151.50	**...**	154.0	3.6
BHP Billiton Australia (General Mining)	131.2	43.08	**-0.09**	36.2	80.6
JFE Hldgs Japan (Iron Steel)	20.8	3,645	**-0.14**	42.9	-36.1
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	38.4	116.10	**-0.17**	65.2	21.1
Mitsubishi UFJ Finl Japan (Banks)	67.8	451.00	**-0.22**	-21.0	-69.7
Cheung Kong Hong Kong (Real Estate Holding Development)	29.9	100.00	**-0.30**	23.5	-3.2
Westfield Grp Australia (Retail REITs)	26.2	12.50	**-0.32**	-4.9	-38.4
PetroChina Hong Kong (Integrated Oil Gas)	25.3	9.29	**-0.32**	20.7	-8.9
KB Fncl Group South Korea (Banks)	19.8	59,400	**-0.50**	57.4	-13.2
China Life Ins Hong Kong (Life Insurance)	36.6	38.10	**-0.65**	48.8	41.9
China Mobile (HK) Hong Kong (Mobile Telecommunications)	185.5	72.35	**-0.69**	-14.9	6.6
Nippon Steel Japan (Iron Steel)	25.3	372.00	**-0.80**	22.8	-40.8
POSCO South Korea (Iron Steel)	40.2	612,000	**-0.97**	53.2	108.5

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.08%	0.95%	1.5%	8.2%	8.2%
Event Driven	0.23	0.98	2.9	15.4	15.4
Equity Long/Short	0.26	2.07	1.2	5.1	5.1

*Estimates as of 12/30/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.74	101.22%	0.01%	1.00	0.72	0.85
Eur. High Volatility: 12/1	1.04	99.80	0.01	1.76	1.00	1.38
Europe Crossover: 12/1	4.33	102.69	0.05	6.15	4.28	5.20
Asia ex-Japan IG: 12/1	0.96	100.20	0.01	1.29	0.96	1.07
Japan: 12/1	1.34	98.40	0.01	1.68	0.99	1.33

Note: Data as of January 1

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
All Nippon Awys	315	**-6**	-12	-35
Nec Electrs	237	**-4**	-6	-28
Sumitomo Metal Inds	73	**-4**	...	-6
Kowloon Canton Rwy	41	**-4**	-2	-2
Shin Han Bk	103	**-4**	...	-10
Marubeni	206	**-2**	-2	6
Kajima	331	**-2**	-8	-12
Daiwa Secs Gp	133	**-2**	-5	-17
Telekom Malaysia	85	**-1**	-2	-7
Elpida Memory	656	**-1**	-1	2

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Sumitomo Chem	64	**1**	-1	-6
Hana Bank	104	**2**	1	-9
Nippon Yusen Kabushiki Kaisha	130	**2**	-1	13
Nippon Paper Group	91	**2**	...	-5
Nippon Oil	46	**2**	2	...
Softbank	424	**4**	-6	-23
Taisei	367	**5**	-5	-20
Orix	274	**5**	-6	-120
Promise	792	**5**	-49	-208
Taiheiyo Cem	573	**6**	49	40

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Global

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

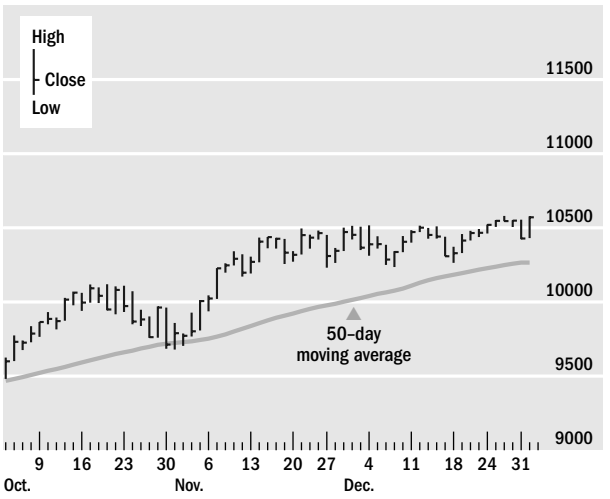
	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
JPMorgan	$5,455	9.1%	45%	29%	20%	6%
Bank of America Merrill Lynch	4,057	6.8	41	31	19	9
Goldman Sachs	4,044	6.8	47	20	31	1
Morgan Stanley	3,578	6.0	49	23	27	1
Citi	3,394	5.7	37	34	23	6
Credit Suisse	3,029	5.1	43	32	23	2
Deutsche Bank	2,800	4.7	36	40	20	5
UBS	2,785	4.7	47	24	27	2
Barclays Capital	2,026	3.4	21	53	19	7

Source: Dealogic

SCANNING THE GLOBE

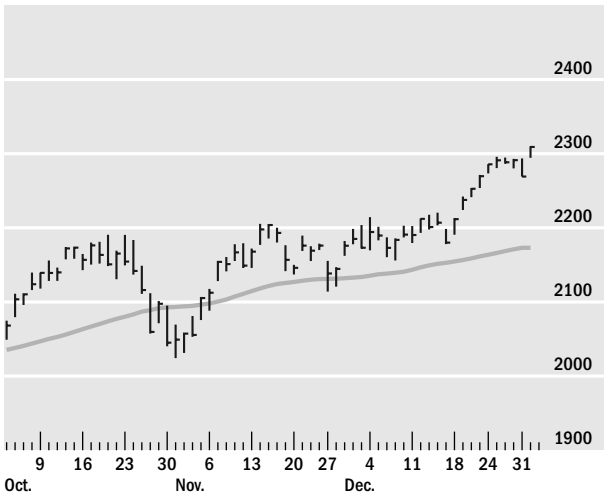
Dow Jones Industrial Average P/E: 18

LAST: **10571.03** ▲ 142.98, or 1.37%
YEAR TO DATE: ▲ **142.98, or 1.4%**
OVER 52 WEEKS ▲ **1,618.14, or 18.1%**



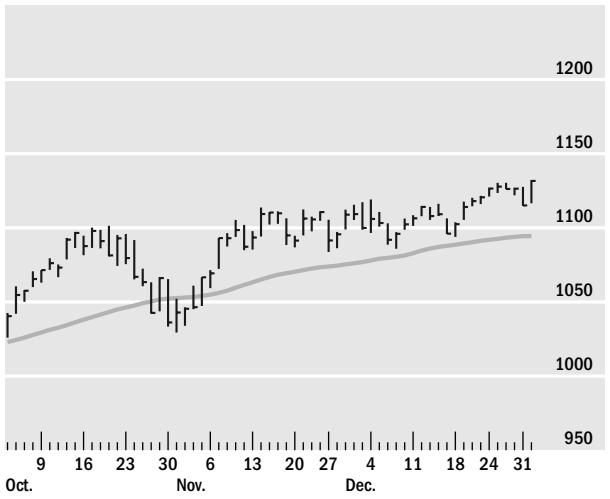
Nasdaq Composite Index P/E: 49*

LAST: **2309.08** ▲ 39.93, or 1.76%
YEAR TO DATE: ▲ **39.93, or 1.8%**
OVER 52 WEEKS ▲ **681.05, or 41.8%**



S&P 500 Index P/E: 75

LAST: **1131.63** ▲ 16.53, or 1.48%
YEAR TO DATE: ▲ **16.53, or 1.5%**
OVER 52 WEEKS ▲ **204.18, or 22.0%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**12.10**	$28.36	0.33	**1.18%**
Alcoa	AA	**14.90**	16.69	0.57	**3.54**
AmExpress	AXP	**2.80**	41.04	0.52	**1.28**
BankAm	BAC	**82.30**	15.64	0.58	**3.85**
Boeing	BA	**3.00**	55.97	1.84	**3.40**
Caterpillar	CAT	**3.70**	59.03	2.04	**3.58**
Chevron	CVX	**4.70**	78.78	1.79	**2.32**
CiscoSys	CSCO	**33.60**	24.79	0.85	**3.55**
CocaCola	KO	**2.70**	57.14	0.14	**0.25**
Disney	DIS	**6.00**	31.97	-0.28	**-0.87**
DuPont	DD	**2.70**	34.32	0.65	**1.93**
ExxonMobil	XOM	**14.00**	69.11	0.92	**1.35**
GenElec	GE	**31.70**	15.54	0.41	**2.71**
HewlettPk	HPQ	**6.00**	52.29	0.78	**1.51**
HomeDpt	HD	**4.70**	28.83	-0.10	**-0.35**
Intel	INTC	**28.10**	20.96	0.56	**2.75**
IBM	IBM	**3.00**	132.64	1.74	**1.33**
JPMorgChas	JPM	**16.40**	42.87	1.25	**3.00**
JohnsJohns	JNJ	**3.70**	64.76	0.35	**0.54**
KftFoods	KFT	**4.20**	27.32	0.14	**0.52**
McDonalds	MCD	**2.70**	62.85	0.41	**0.66**
Merck	MRK	**5.70**	37.01	0.47	**1.29**
Microsoft	MSFT	**16.60**	31.03	0.55	**1.81**
Pfizer	PFE	**19.40**	18.74	0.55	**3.02**
ProctGamb	PG	**3.60**	61.10	0.47	**0.78**
3M	MMM	**1.30**	83.25	0.58	**0.70**
TravelersCos	TRV	**1.30**	50.21	0.34	**0.69**
UnitedTech	UTX	**2.50**	71.31	1.90	**2.74**
Verizon	VZ	**8.00**	33.15	0.02	**0.06**
WalMart	WMT	**6.60**	54.25	0.80	**1.50**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**200.5**	$3.40	$0.09	**2.72%**
BankAm	BAC	**84.1**	15.64	0.58	**3.85**
SPDR S&P 500	SPY	**61.7**	113.31	1.87	**1.68**
AdventrxPharm	ANX	**60.9**	0.31	–0.04	**–12.03**
SPDR FnclSelSct	XLF	**42.2**	14.73	0.33	**2.29**
PwrShrs QQQ	QQQQ	**39.1**	46.44	0.69	**1.51**
iShrMSCIEmrgMkt	EEM	**36.7**	42.63	1.13	**2.72**
CiscoSys	CSCO	**34.2**	24.80	0.86	**3.59**
GenElec	GE	**32.0**	15.54	0.41	**2.71**
FordMotor	F	**29.2**	10.17	0.17	**1.70**
Intel	INTC	**28.4**	20.96	0.56	**2.75**
SprintNextel	S	**26.4**	3.85	0.19	**5.05**
iShrRu2000	IWM	**25.2**	63.98	1.54	**2.47**
YRC Worldwide	YRCW	**22.0**	0.72	–0.12	**–14.23**
E Trade	ETFC	**20.7**	1.83	0.07	**3.98**

Biggest gainers...

BioFormMedical	BFRM	**9,520.1**	$5.45	$2.05	**60.29%**
BioTime Wt	BTIM%	**9.0**	2.45	0.40	**19.51**
BkIrInd ADS	IRE	**1,031.5**	9.09	1.43	**18.67**
ChAdvCnstrMt	CADC	**30.1**	5.79	0.81	**16.27**
AldIrhBk ADS	AIB	**3,139.3**	4.08	0.57	**16.19**

...Biggest losers

OptimumBk	OPHC	**2.4**	$1.65	-$0.52	**-23.91%**
ICXTech	ICXT	**2,445.3**	8.30	-1.22	**-12.82**
IntelliChckM	IDN	**2,407.1**	3.33	-0.42	**-11.20**
PrimeRlty pfB	PGEZ	**2.4**	5.07	-0.61	**-10.83**
Escalade	ESCA	**5.4**	2.25	-0.23	**-9.27**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**3,363.0**	$11.57	0.13	**1.09%**
12.91	6.25	**AU Optrncs**	AUO	**1,951.7**	12.82	0.82	**6.88**
79.61	33.09	**BHP Billiton**	BHP	**1,379.7**	79.34	2.76	**3.60**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,328.2**	4.94	0.02	**0.41**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**1,282.6**	7.17	0.16	**2.28**
3.96	1.65	**Utd Microelectronics**	UMC	**1,091.4**	3.96	0.08	**2.06**
59.22	40.20	**China Mobile**	CHL	**925.9**	47.21	0.78	**1.67**
56.79	22.61	**Infosys Tech**	INFY	**723.4**	56.78	1.51	**2.73**
15.95	8.56	**China Unicom**	CHU	**578.1**	13.31	0.20	**1.53**
4.65	1.49	**Adv Semi Engrg**	ASX	**451.1**	4.64	0.21	**4.74**
30.82	15.64	**Sony**	SNE	**438.1**	30.01	1.01	**3.48**
32.79	9.91	**Aluminum Cp of China**	ACH	**417.1**	28.59	1.34	**4.92**
19.56	15.05	**ChunghwaTel**	CHT	**412.4**	18.80	0.23	**1.24**
9.50	3.96	**Nomura Hldgs**	NMR	**390.8**	7.50	0.10	**1.35**
18.64	12.59	**SK Telecom**	SKM	**319.9**	16.50	0.24	**1.48**
135.92	63.94	**PetroChina**	PTR	**309.5**	122.10	3.14	**2.64**
7.10	2.00	**Alumina**	AWC	**300.7**	6.97	0.42	**6.41**
23.02	5.11	**Yanzhou Coal Mining**	YZC	**259.2**	23.01	1.18	**5.41**
19.93	13.11	**NTT DoCoMo**	DCM	**235.0**	14.13	0.15	**1.07**
15.29	6.85	**Korea Elec Pwr**	KEP	**221.7**	14.97	0.43	**2.96**
4.00	1.50	**SemiMfgInt**	SMI	**195.8**	3.55	0.31	**9.57**
81.00	37.43	**China Life Ins**	LFC	**195.3**	74.41	1.06	**1.45**
34.79	20.28	**Honda Motor**	HMC	**174.7**	34.70	0.80	**2.36**
41.87	19.90	**Telekom Indonesia**	TLK	**168.9**	41.08	1.13	**2.83**
150.50	47.09	**POSCO**	PKX	**165.0**	135.85	4.75	**3.63**
9.82	5.43	**Telecom Corp of NZ**	NZT	**145.8**	9.22	0.23	**2.56**
94.00	46.45	**China Petro & Chem**	SNP	**141.1**	87.78	-0.29	**-0.33**
27.55	17.71	**NTT**	NTT	**124.3**	20.21	0.47	**2.38**
43.95	21.23	**Canon**	CAJ	**112.6**	43.16	0.84	**1.98**
34.43	21.60	**Huaneng Power Intl**	HNP	**102.7**	22.90	0.50	**2.23**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

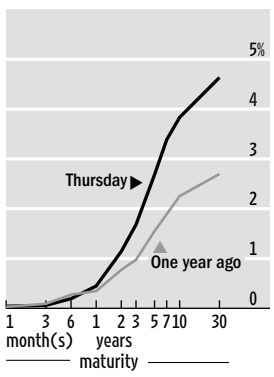
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.530%**	**343.8**	326.2	351.9	**191.1**	**4.405%**	4.366%	**2.740%**
4.500	10	**5.838**	**202.1**	188.8	195.8	**159.8**	**5.725**	5.442	**3.967**
5.000	**Austria** 2	**1.760**	**66.8**	62.3	11.2	**122.4**	**1.766**	0.959	**2.053**
3.900	10	**3.882**	**6.5**	3.0	6.0	**148.7**	**3.867**	3.544	**3.856**
3.500	**Belgium** 2	**1.142**	**5.0**	1.7	27.1	**136.8**	**1.160**	1.118	**2.197**
4.000	10	**3.701**	**-11.6**	-12.0	12.9	**140.5**	**3.717**	3.613	**3.774**
1.250	**Canada** 2	**1.467**	**37.5**	33.7	43.4	**32.1**	**1.480**	1.281	**1.150**
3.750	10	**3.607**	**-21.0**	-23.0	-16.6	**46.3**	**3.607**	3.318	**2.832**
4.000	**Denmark** 2	**2.136**	**104.4**	97.5	132.2	**188.5**	**2.118**	2.169	**2.714**
4.000	10	**3.649**	**-16.8**	-15.9	12.0	**94.7**	**3.678**	3.604	**3.316**
1.500	**France** 2	**1.218**	**12.6**	10.6	47.1	**129.6**	**1.249**	1.318	**2.125**
3.750	10	**3.602**	**-21.5**	-22.7	0.3	**103.5**	**3.610**	3.487	**3.404**
1.250	**Germany** 2	**1.349**	**25.7**	21.1	46.8	**90.8**	**1.354**	1.315	**1.737**
3.250	10	**3.380**	**-43.7**	-44.9	-27.5	**60.0**	**3.388**	3.209	**2.969**
0.550	**Hong Kong** 2	**0.726**	**-36.6**	-44.1	-51.3	**-6.0**	**0.702**	0.334	**0.769**
2.160	10	**2.977**	**-84.0**	-105.8	-119.4	**-103.4**	**2.779**	2.290	**1.335**
3.750	**Italy** 2	**1.571**	**47.9**	43.6	73.4	**228.0**	**1.579**	1.581	**3.109**
4.250	10	**4.095**	**27.8**	30.2	51.2	**195.6**	**4.139**	3.996	**4.325**
0.200	**Japan** 2	**0.159**	**-93.3**	-99.3	-66.3	**-43.8**	**0.150**	0.184	**0.391**
1.300	10	**1.329**	**-248.8**	-254.6	-219.4	**-120.1**	**1.291**	1.290	**1.168**
4.000	**Netherlands** 2	**0.868**	**-22.4**	-25.5	8.0	**116.2**	**0.888**	0.927	**1.991**
4.000	10	**3.557**	**-26.0**	-27.2	-2.4	**117.2**	**3.565**	3.460	**3.541**
3.200	**Portugal** 2	**1.410**	**31.8**	15.4	42.2	**180.3**	**1.297**	1.269	**2.632**
4.750	10	**4.076**	**25.9**	23.8	27.0	**159.7**	**4.075**	3.754	**3.966**
5.350	**Spain** 2	**1.567**	**47.5**	49.1	58.1	**139.9**	**1.634**	1.428	**2.228**
4.300	10	**3.967**	**15.0**	16.1	29.6	**144.5**	**3.998**	3.780	**3.814**
2.750	**Switzerland** 2	**0.644**	**-44.8**	-49.5	-42.7	**-22.2**	**0.648**	0.420	**0.607**
2.250	10	**2.068**	**-174.9**	-181.2	-157.5	**-16.8**	**2.025**	1.909	**2.201**
3.250	**U.K.** 2	**1.325**	**23.3**	15.2	35.8	**17.4**	**1.295**	1.205	**1.003**
4.500	10	**3.935**	**11.8**	17.3	22.1	**66.6**	**4.010**	3.705	**3.035**
1.000	**U.S.** 2	**1.092**	**...**	...	...	**...**	**1.143**	0.847	**0.829**
3.375	10	**3.817**	**...**	...	...	**...**	**3.837**	3.484	**2.369**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 2 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.634%**	16.19	–6.62%	–8.08%	–25.53%	–25.53%
10-year Treasury	**3.834**	8.25	–4.84	–3.39	–9.34	–9.34
7 Year Treasury	**3.386**	6.21	–3.82	–1.59	...	...
Five-year Treasury	**2.682**	4.66	–2.71	–0.53	–0.55	–0.55
Ryan Index	**2.893**	6.70	–3.36	–2.23	–6.53	–6.53
3 Year Treasury	**1.680**	2.89	–1.38	0.07	1.14	1.14
Two-year Treasury	**1.143**	1.97	–0.73	0.19	1.32	1.32
1 Year Treasury	**0.448**	0.96	–0.10	0.20	0.95	0.95
Six-month Treasury	**0.193**	0.50	0.01	0.07	0.64	0.64
Ryan Cash Index-a	**0.185**	0.45	–0.02	0.09	0.53	0.53
Three-month bill	**0.061**	0.25	0.03	0.07	0.38	0.38
One-month bill	**0.041**	0.08	...	0.02	0.14	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	2.50
Switzerland	**0.53**	0.52
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a
Libor		
One month	**0.23344%**	0.42875%
Three month	**0.25438**	1.42125
Six month	**0.43438**	1.79375
One year	**0.99375**	2.09250

	Latest	52 wks ago
Euro Libor		
One month	**0.41500%**	2.52375%
Three month	**0.65375**	2.81375
Six month	**0.97688**	2.91063
One year	**1.22500**	2.99938
Hibor		
One month	**0.07964**	0.20143%
Three month	**0.15679**	0.89571
Six month	**0.31571**	1.40071
One year	**0.71429**	1.85000
Asian dollars		
One month	**0.2376%**	0.43%
Three month	**0.2566**	1.4220
Six month	**0.4510**	1.7540
One year	**1.0040**	2.0180

	Offer	Bid
Eurodollars		
One month	**0.3500%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.4100**	0.3100
One year	**0.6500**	0.5500

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.20%**	0.10%
U.K. (BBA)	**0.502**	1.925
Euro zone	**0.31**	2.14

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	424.00	9.50	2.29%	712.25	315.50
Soybeans (cents/bu.)	CBOT	1065.50	17.00	1.62	1,560.00	805.00
Wheat (cents/bu.)	CBOT	555.00	13.50	2.49	1,029.25	459.00
Live cattle (cents/lb.)	CME	89.200	-0.600	-0.67%	108.600	84.150
Cocoa ($/ton)	ICE-US	3,264	-25	-0.76	3,510	1,994
Coffee (cents/lb.)	ICE-US	140.90	4.95	3.64	188.65	115.00
Sugar (cents/lb.)	ICE-US	27.68	0.73	2.71	27.83	11.91
Cotton (cents/lb.)	ICE-US	76.37	0.77	1.02	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,680.00	17	0.64	3,580	1,487
Cocoa (pounds/ton)	LIFFE	2,225	-25	-1.11	2,337	1,310
Robusta coffee ($/ton)	LIFFE	1,365	33	2.48	1,710	1,300
Copper (cents/lb.)	COMEX	341.40	6.75	2.02	365.00	135.50
Gold ($/troy oz.)	COMEX	1121.80	26.60	2.43	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	1748.50	64.00	3.80	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,258.00	17.00	0.76	2,283.00	1,288.00
Tin ($/ton)	LME	17,450.00	660.00	3.93	17,450.00	9,945.00
Copper ($/ton)	LME	7,503.00	128.00	1.74	7,503.00	3,085.00
Lead ($/ton)	LME	2,480.00	69.00	2.86	2,487.00	995.00
Zinc ($/ton)	LME	2,606.00	10.50	0.40	2,606.00	1,086.00
Nickel ($/ton)	LME	18,920	370	1.99	21,150	9,475
Crude oil ($/bbl.)	NYMEX	81.22	1.86	2.34	117.00	47.60
Heating oil ($/gal.)	NYMEX	2.1848	0.0692	3.27	3.5570	1.3816
RBOB gasoline ($/gal.)	NYMEX	2.1000	0.0471	2.29	2.1342	1.2304
Natural gas ($/mmBtu)	NYMEX	5.788	0.256	4.63	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	80.01	2.08	2.67	145.00	50.00
Gas oil ($/ton)	ICE-EU	662.75	21.25	3.31	875.00	450.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 4

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4847	0.1823	3.7988	0.2632
Brazil real	2.4876	0.4020	1.7230	0.5804
Canada dollar	1.4948	0.6690	1.0354	0.9659
1-mo. forward	1.4948	0.6690	1.0353	0.9659
3-mos. forward	1.4948	0.6690	1.0353	0.9659
6-mos. forward	1.4950	0.6689	1.0354	0.9658
Chile peso	729.48	0.001371	505.25	0.001979
Colombia peso	2922.90	0.0003421	2024.45	0.0004940
Ecuador US dollar-f	1.4438	0.6926	1	1
Mexico peso-a	18.6446	0.0536	12.9136	0.0774
Peru sol	4.1625	0.2402	2.8830	0.3469
Uruguay peso-e	28.226	0.0354	19.550	0.0512
U.S. dollar	1.4438	0.6926	1	1
Venezuela bolivar	3.10	0.322552	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.5806	0.6327	1.0948	0.9135
China yuan	9.8573	0.1014	6.8274	0.1465
Hong Kong dollar	11.1979	0.0893	7.7559	0.1289
India rupee	66.7685	0.0150	46.2450	0.0216
Indonesia rupiah	13492	0.0000741	9345	0.0001070
Japan yen	133.34	0.007500	92.36	0.010828
1-mo. forward	133.31	0.007501	92.33	0.010830
3-mos. forward	133.27	0.007503	92.31	0.010833
6-mos. forward	133.16	0.007510	92.23	0.010843
Malaysia ringgit-c	4.9053	0.2039	3.3975	0.2943
New Zealand dollar	1.9673	0.5083	1.3626	0.7339
Pakistan rupee	122.218	0.0082	84.650	0.0118
Philippines peso	66.249	0.0151	45.885	0.0218
Singapore dollar	2.0182	0.4955	1.3979	0.7154
South Korea won	1660.88	0.0006021	1150.35	0.0008693
Taiwan dollar	45.675	0.02189	31.635	0.03161
Thailand baht	47.927	0.02087	33.195	0.03013

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6926	1.4438
1-mo. forward	1.0000	1.0000	0.6926	1.4437
3-mos. forward	1.0002	0.9998	0.6927	1.4435
6-mos. forward	1.0005	0.9995	0.6930	1.4431
Czech Rep. koruna-b	26.253	0.0381	18.183	0.0550
Denmark krone	7.4408	0.1344	5.1536	0.1940
Hungary forint	268.50	0.003724	185.97	0.005377
Norway krone	8.2340	0.1214	5.7030	0.1753
Poland zloty	4.0824	0.2450	2.8276	0.3537
Russia ruble-d	43.767	0.02285	30.314	0.03299
Sweden krona	10.1693	0.0983	7.0434	0.1420
Switzerland franc	1.4839	0.6739	1.0278	0.9730
1-mo. forward	1.4836	0.6741	1.0275	0.9732
3-mos. forward	1.4830	0.6743	1.0272	0.9735
6-mos. forward	1.4816	0.6749	1.0262	0.9745
Turkey lira	2.1316	0.4691	1.4764	0.6773
U.K. pound	0.8955	1.1166	0.6203	1.6122
1-mo. forward	0.8957	1.1164	0.6204	1.6119
3-mos. forward	0.8961	1.1160	0.6206	1.6113
6-mos. forward	0.8965	1.1155	0.6209	1.6105
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5443	1.8373	0.3770	2.6526
Egypt pound-a	7.9062	0.1265	5.4760	0.1826
Israel shekel	5.4013	0.1851	3.7410	0.2673
Jordan dinar	1.0154	0.9849	0.7033	1.4220
Kuwait dinar	0.4139	2.4158	0.2867	3.4880
Lebanon pound	2167.87	0.0004613	1501.50	0.0006660
Saudi Arabia riyal	5.4134	0.1847	3.7494	0.2667
South Africa rand	10.5177	0.0951	7.2848	0.1373
United Arab dirham	5.2886	0.1891	3.6630	0.2730
SDR -f	0.9214	1.0853	0.6382	1.5670

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
52	**ASIA-PACIFIC**	**DJ Asia-Pacific**	124.53	1.48	1.20%	1.2%	32.0%
16	Australia	**SPX/ASX 200**	4876.25	5.61	0.12	0.1	32.3
...	China	**CBN 600**	28809.29	-243.51	-0.84%	-0.8	88.0
20	Hong Kong	**Hang Seng**	21823.28	-49.22	-0.23	-0.2	40.2
20	India	**Sensex**	17558.73	93.92	0.54	0.5	70.9
16	Indonesia	**Jakarta Composite**	2575.413	41.060	1.62	1.6	79.2
...	Japan	**Nikkei Stock Average**	10654.79	108.35	1.03	1.0	17.8
...		**Topix**	915.75	8.16	0.90	0.9	4.5
...	Malaysia	**Kuala Lumpur Composite**	1275.75	2.97	0.23	0.2	38.6
16	New Zealand	**NZSX-50**	3230.145		Closed	...	17.7
9	Pakistan	**KSE 100**	9437.85	50.93	0.54	0.5	59.5
15	Philippines	**Manila Composite**	3005.01	-47.67	-1.56	-1.6	52.2
...	Singapore	**Straits Times**	2894.55	-3.07	-0.11	-0.1	50.4
11	South Korea	**Kospi**	1696.14	13.37	0.79	0.8	44.5
20	Taiwan	**Weighted**	8207.85	19.74	0.24	0.2	74.7
10	Thailand	**SET**	732.28	-2.26	-0.31	-0.3	53.0
50	**EUROPE**	**DJ Stoxx 600**	257.31	3.42	1.35	1.6	23.3
22		**DJ Stoxx 50**	2618.88	24.95	0.96	1.5	19.9
62	**Euro Zone**	**DJ Euro Stoxx**	279.35	4.61	1.68%	1.7%	19.9%
20		**DJ Euro Stoxx 50**	3013.96	49.00	1.65	1.6	18.0
19	Denmark	**OMX Copenhagen**	325.90	10.20	3.23	3.2	29.8
20	Finland	**OMX Helsinki**	6627.39	171.26	2.65	2.7	13.4
19	France	**CAC-40**	4013.97	77.64	1.97	2.0	19.5
21	Germany	**DAX**	6048.30	90.87	1.53	1.5	21.4
17	Italy	**FTSE MIB**	23545.02	296.63	1.28	1.3	16.2
...	Netherlands	**AEX**	343.03	7.70	2.30	2.3	31.0
...	Russia	**RTSI**	1444.61		Closed	...	128.6
11	Spain	**IBEX 35**	12145.1	205.1	1.72	1.7	25.9
15	Switzerland	**SMI**	6631.44	85.53	1.31	1.3	15.2
...	Turkey	**ISE National 100**	53368.16	543.14	1.03	1.0	90.7
15	U.K.	**FTSE 100**	5500.34	87.46	1.62	1.6	20.1
22	**AMERICAS**	**DJ Americas**	300.28	3.79	1.28	1.3	27.4
17	Brazil	**Bovespa**	69482.16	893.75	1.30	1.3	67.4
13	Argentina	**Merval**	2384.90	64.17	2.77	2.8	103.6
20	Mexico	**IPC**	32500.85	380.38	1.18	1.2	39.2

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.12%	22	**DJ Global Index**	230.05	3.11	3.11%	30.2%	1.4%	-6.0%
		Global DOW	1994.83	10.35	10.35	26.0	0.5	-2.3
2.32		**Asia/Pacific 600**	116.06	1.38	1.38	20.9	1.2	-7.6
1.70	16	**Emerging Markets**	283.75	3.83	3.83	73.0	1.4	4.2
2.10	52	**Asia/Pacific**	124.53	1.48	1.48	32.0	1.2	-5.3
2.34	18	**Asia/Pacific ex-Japan**	318.53	3.11	3.11	66.4	1.0	1.3
2.50	24	**Southeast Asia**	162.63	1.74	1.74	72.5	1.1	2.5
0.82	29	**CBN China 600** -c	28809.29	-243.51	-243.51	88.0	-0.8	22.3
0.85	33	**Shanghai**	384.74	-2.94	-2.94	87.5	-0.8	22.4
0.57	47	**Shenzhen**	414.85	-1.66	-1.66	111.7	-0.4	29.7
2.19	19	**China Offshore 50**	4071.26	-6.67	-6.67	38.4	-0.2	6.0
7.47	10	**Australia LPT** -c, d	1155.30	-7.63	-7.63	6.2	-0.7	-21.1
2.04%	16	**Islamic Market**	2003.37	28.52	28.52%	31.3%	1.4%	-1.0%
2.35	16	**Islamic Market 100**	2149.88	28.54	28.54	20.3	1.4	-2.1
9.66	15	**Bahrain**	120.71	-1.03	-1.03	-20.0	-0.8	-14.1
2.98	35	**Kuwait**	189.45	-5.24	-5.24	-4.9	-2.7	-16.9
2.55	21	**Sustainability**	1026.97	14.18	14.18	29.8	1.4	-7.0
2.72	50	**Stoxx 600 -p**	272.06	1.66	1.66	32.1	0.6	-8.9
4.74	17	**Stoxx Select Div 30 -p**	1795.95	6.03	6.03	32.9	0.3	-21.2
3.98	23	**Euro Stoxx Sel Div 30 -p**	2127.35	5.11	5.11	30.6	0.2	-16.9
3.98	23	**DJ U.S. TSM**	11635.73	138.33	138.33	24.5	1.2	-6.6
4.20	15	**U.S. Select Dividend -d**	657.02	6.37	6.37	11.7	1.0	-9.9
4.70		**U.S. REIT**	145.74	0.40	0.40	26.8	0.3	-18.2
		DJ-UBS Commodity -p	139.19	-0.28	-0.28	18.7	-0.2	-5.8

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.095	0.620	1.035	6.827	0.693	7.756	46.245	9344.92	92.355	1.363	1150.35	3.397	45.885	1.398	1.028	31.635	33.195
Australia	0.913		0.567	0.946	6.236	0.633	7.085	42.242	8536.12	84.362	1.245	1050.79	3.103	41.914	1.277	0.939	28.897	30.322
Britain	1.612	1.765		1.669	11.007	1.117	12.504	74.556	15065.88	148.895	2.197	1854.60	5.477	73.976	2.254	1.657	51.002	53.517
Canada	0.966	1.057	0.599		6.594	0.669	7.491	44.666	9025.86	89.202	1.316	1111.07	3.281	44.318	1.350	0.993	30.555	32.062
China	0.1465	0.160	0.091	0.152		0.101	1.136	6.773	1368.75	13.527	0.200	168.49	0.498	6.721	0.205	0.151	4.634	4.862
Euro	1.444	1.581	0.896	1.495	9.857		11.198	66.769	13492.20	133.342	1.967	1660.88	4.905	66.249	2.018	1.484	45.675	47.927
Hong Kong	0.129	0.141	0.080	0.133	0.880	0.089		5.963	1204.89	11.908	0.176	148.32	0.438	5.916	0.180	0.133	4.079	4.280
India	0.0216	0.0237	0.0134	0.0224	0.1476	0.0150	0.1677		202.07	1.9971	0.0295	24.88	0.0735	0.9922	0.0302	0.0222	0.6841	0.7178
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0099	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0036
Japan	0.011	0.012	0.007	0.011	0.074	0.007	0.084	0.501	101.18		0.015	12.46	0.037	0.497	0.015	0.011	0.343	0.359
New Zealand	0.734	0.803	0.455	0.760	5.011	0.508	5.692	33.939	6858.24	67.779		844.24	2.493	33.675	1.026	0.754	23.217	24.362
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0067	0.0402	8.12	0.0803	0.0012		0.0030	0.0399	0.0012	0.0009	0.0275	0.0289
Malaysia	0.294	0.322	0.183	0.305	2.010	0.204	2.283	13.611	2750.53	27.183	0.401	338.59		13.506	0.411	0.303	9.311	9.770
Philippines	0.022	0.024	0.014	0.023	0.149	0.015	0.169	1.008	203.66	2.013	0.030	25.07	0.074		0.030	0.022	0.689	0.723
Singapore	0.715	0.783	0.444	0.741	4.884	0.495	5.548	33.083	6685.21	66.069	0.975	822.94	2.431	32.825		0.735	22.631	23.747
Switzerland	0.973	1.065	0.604	1.007	6.643	0.674	7.546	44.996	9092.60	89.861	1.326	1119.29	3.306	44.646	1.360		30.781	32.299
Taiwan	0.032	0.035	0.020	0.033	0.216	0.022	0.245	1.462	295.40	2.919	0.043	36.36	0.107	1.450	0.044	0.032		1.049
Thailand	0.030	0.033	0.019	0.031	0.206	0.021	0.234	1.393	281.52	2.782	0.041	34.65	0.102	1.382	0.042	0.031	0.953	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 04, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	299.44	...	31.5%	31.5%
2.40	28	**World (Developed Markets)**	1,168.47	...	27.0	27.0
1.80	117	**World Small Cap**	190.16	...	41.7	41.7
2.50	23	**Kokusai (World ex-Japan)**	1,159.65	...	30.0	30.0
2.90	28	**EAFE**	1,580.77	...	27.7	27.7
2.00	20	**Emerging Markets (EM)**	989.47	...	74.5	74.5
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	416.54	...	68.4	68.4
2.00	24	**AC Far East ex-Japan**	449.97	...	65.0	65.0
1.70	-35	**Japan**	568.42	...	7.3	7.3
1.90	21	**China**	64.81	...	58.9	58.9
0.80	40	**China A (China Domestic)**	3,381.81	...	95.0	95.0
2.60	24	**Hong Kong**	10,178.29	...	55.3	55.3
0.90	21	**India**	707.10	...	91.5	91.5
1.00	17	**Korea**	480.77	...	56.6	56.6
2.40	20	**Malaysia**	469.80	...	46.2	46.2
2.90	18	**Singapore**	1,624.88	...	63.0	63.0
2.50	248	**Taiwan**	295.94	...	70.7	70.7
2.90	19	**Thailand**	301.70	...	63.0	63.0
3.70	26	**Australia**	1,001.13	...	30.8	30.8
5.20	16	**New Zealand**	87.20	...	14.9	14.9
1.80	33	**US BROAD MARKET**	1,237.00	...	25.9	25.9
3.20	18	**EUROPE**	88.28	...	27.2	27.2

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Monday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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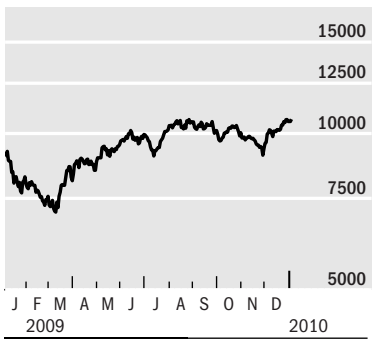
Asian index movers...

Nikkei Stock Average
Japan 10654.79
▲ **1.03% or 108.35**

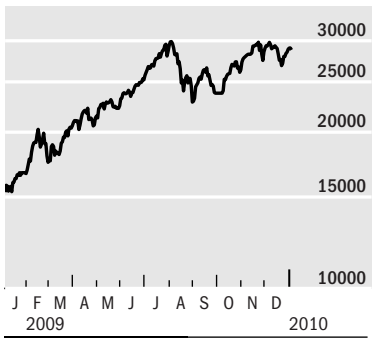
The index reached its highest closing value since Oct. 3, 2008. Asahi Breweries gained on news that it is signing a marketing pact with Carlsberg A/S.



Stock	Volume in millions	Close	Change Net	Change %
JapanAirlines	**231.51**	88	21	31.34
Mizuho Financial	**133.78**	162	–4	–2.41
Hitachi	**65.95**	286	2	0.70
Mtshbsh Fin Grp	**46.11**	451	–1	–0.22
Showa Denko	**28.10**	191	6	3.24

CBN 600
China 28809.29
▼ **0.84% or 243.51**

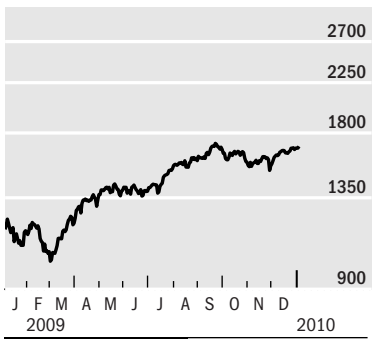
Shares finished lower amid concerns over the timing of Beijing's withdrawal of stimulus measures. Bank and property stocks were under pressure.



Stock	Volume in millions	Close	Change Net	Change %
ChinaMinshengBkg	**243.57**	7.93	0.02	0.25
China State Con	**189.60**	4.67	–0.05	–1.06
Icbc	**166.35**	5.35	–0.09	–1.65
United Network	**159.46**	7.14	–0.15	–2.06
OffshoreOilEngg	**138.10**	11.09	–0.31	–2.72

Kospi
South Korea 1696.14
▲ **0.79% or 13.37**

The index got a boost from continued foreign interest in technology shares. Samsung Electronics, Hynix Semiconductor and flat-panel maker LG Display gained.



Stock	Volume in millions	Close	Change Net	Change %
Korea Data Sys	**28.89**	205	–10	–4.65
Kec	**17.88**	1,130	145	14.72
Kedcom	**16.35**	110	5	4.76
Hynix Semi	**7.33**	24,100	950	4.10
Eugene Invt	**6.40**	995	35	3.65

Sensex
India 17558.73
▲ **0.54% or 93.92**

Shares ended at their highest level since May 2, 2008, on the first day of trading in 2010, helped by gains in autos, metals and cement stocks.

Stock	Volume in millions	Close	Change Net	Change %
Reliance-A	**14.10**	1,075.35	–14.05	–1.29
Jaiprak Asso-A	**2.71**	153.80	6.90	4.70
Tata Steel-A	**1.87**	634.05	16.45	2.66
Tata Motors-A	**1.33**	827.40	34.80	4.39
Hindalco-A	**1.21**	163.15	2.40	1.49

Asian stocks in the news

Advantest
Japan ¥2,485
▲ **3.3% or ¥80**

The chip-tester maker recouped losses from the previous session.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-45.10**
Dividend yield	**0.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**1.8%**	2.6%	66.9%
Advantest	**3.3%**	...	...

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Fuji Elec Hldgs
Japan ¥167
▲ **4.4% or ¥7**

The company's shares jumped, tacking on additional gains.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-17.40**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.7%**	1.2%	41.7%
Fuji Elec Hldgs	**4.4%**	...	...

CITIC Pacific
Hong Kong HK$20.50
▼ **1.9% or HK$0.40**

The company gave back gains from the previous session.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-6.87**
Dividend yield	**0.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.7%**	1.2%	41.7%
CITIC Pacific	**-1.9%**	...	...

Mizuho Financial Grp
Japan ¥162
▼ **2.4% or ¥4**

Shares fell on concerns the firm may raise more capital by issuing fresh equity.

Price-to-earnings ratio	**12**
Earnings per share, past four quarters	**13.10**
Dividend yield	**4.9**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**0.6%**	0.8%	25.7%
Mizuho Financial Grp	**-2.4%**	...	...

Li Ning
Hong Kong HK$28.60
▼ **3.1% or HK$0.90**

The firm's shares slipped, snapping more than a week of gains.

Price-to-earnings ratio	**30**
Earnings per share, past four quarters	**0.94**
Dividend yield	**1.0**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**1.8%**	0.4%	21.9%
Li Ning	**-3.1%**	...	...

Acom
Japan ¥1,366
▼ **3.3% or ¥47**

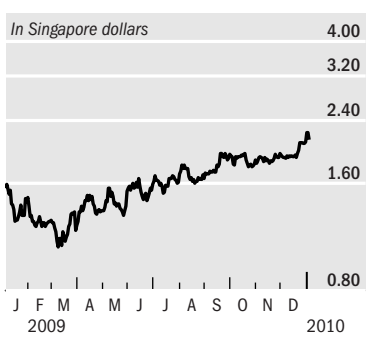
The Japanese concern extended its decline to a third trading day.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-72.00**
Dividend yield	**0.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Financial Services	**1.1%**	1.7%	35.7%
Acom	**-3.3%**	...	...

Ascendas REIT
Singapore S$2.12
▼ **4.5% or S$0.10**

The company's shares dropped in an overall flat market.



Price-to-earnings ratio	**15**
Earnings per share, past four quarters	**0.14**
Dividend yield	**6.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**0.5%**	2.1%	33.7%
Ascendas REIT	**-4.5%**	...	...

HEARD ON THE STREET

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Don't call them capital controls

Even outside of the realm of rap music and Hollywood movies, having too much money can be a problem. Just ask Asia's central bankers.

Foreign fund flows into Asia have been strong. One sliver of this—inflows into regional investment portfolios, excluding Japan—rose to $25 billion in 2009, up about 25% from the previous record level in 2007, according to EPFR Global.

The inflows bring with them headaches that have raised expectations that central bankers and regulators could soon move to stem the tide. Regulators worry about asset-price bubbles and the damage that could follow if investors have a sudden change of heart. In a region of exporters, strong currencies aren't a welcome consequence either.

Nor is the mounting tab that comes with having to offset the inflationary impact of all this capital. To do this, central banks issue short-term bills to local banks, in some cases at high interest rates.

A one-month $4.9 billion bill auctioned in Indonesia last week, for example, yielded 6.46%, not far off the central bank's 6.5% policy rate. Sterilization costs are highest in Indonesia and India, Citi Investment Research says, and interest-rate increases to come in 2010 will only make things more expensive.

Policy makers now face the delicate task of discouraging speculators without appearing so heavy-handed that they chase away long-term investors. Any move too onerous will attract the tag "capital controls," sending bulls running for the exits.

So, soft steps are likely. These could include caps on foreign ownership of government bills, or tighter rules on borrowing abroad. Such moves, though, don't necessarily work. Citi Investment Research notes that efforts by India's policy makers to slow investors down in 2007 failed to yield meaningful results. About $92 billion flowed into the country that year and the rupee rose 12% against the dollar.

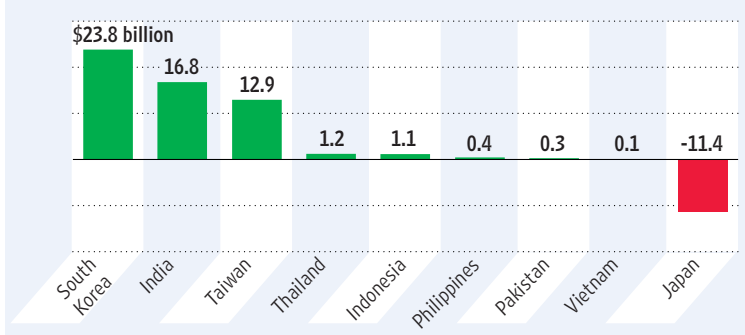
Asia isn't alone in worrying about striking the right balance. Vowing last week to address the problem of hot money, Russian Prime Minister Vladimir Putin coupled his comments with remarkes on the market-friendly aim of encouraging long-term investments.

Asia's policy makers will similarly look to encourage investors while discouraging speculators. Telling them apart will be a major test this year. *—David Roman*

Traders work on the floor of the Indonesia Stock Exchange in Jakarta.

Influx

Net foreign portfolio investment in Asian equities from Jan. 1 to Dec. 14, 2009, in billions of U.S. dollars.



Sources: Standard Chartered; European Pressphoto Agency (photo)

Four reasons to remain wary

Few would have dared predict 12 months ago that markets would rebound so strongly. Most major stock markets ended 2009 at or around their highs for the year. Both the S&P 500 and FTSE Eurotop 100 rallied 24% over the year, while corporate-bond markets and commodities also staged rallies.

But what about 2010? Most economists expect the recovery to be sustained, albeit with fewer opportunities to make significant gains. But any optimism needs to be tempered by caution. The global economy still is exposed to significant risks. Here are four:

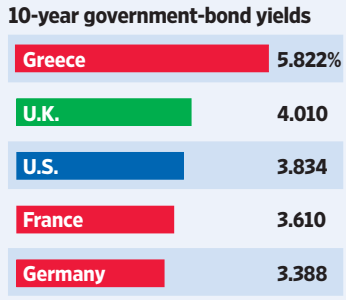
■ **Sovereign risk:** The **Dubai World** debt default and Greek fiscal crisis were reminders that vast amounts of debt remain outstanding, with implicit or explicit guarantees from friendly sovereign nations. Will those nations be willing to stand behind the debt? The market is betting Abu Dhabi will bail out Dubai and the euro zone won't allow any of its members to default, even if the pain spreads to other highly indebted states such as Ireland and Spain. A more-pressing case may be the U.K., whose fiscal position is the worst in the industrialized world and which enjoys no implicit guarantee.

■ **Exit strategies:** The U.S. Federal Reserve and European Central Bank both have set out plans to withdraw much of the emergency liquidity supplied during the crisis. The Bank of England also is expected to stop buying U.K. government bonds in February. That could pave the way for considerable bond-market volatility, because central-bank programs have helped push down yields across all asset classes. Investors should be wary of parallels with 1994, when an unexpected U.S. interest-rate increase triggered a bond-market rout. On that score, they should be watching for any sniff of rising inflation.

Yielding to more debt

Easing stimulus measures could lead to bond-market volatility

10-year government-bond yields

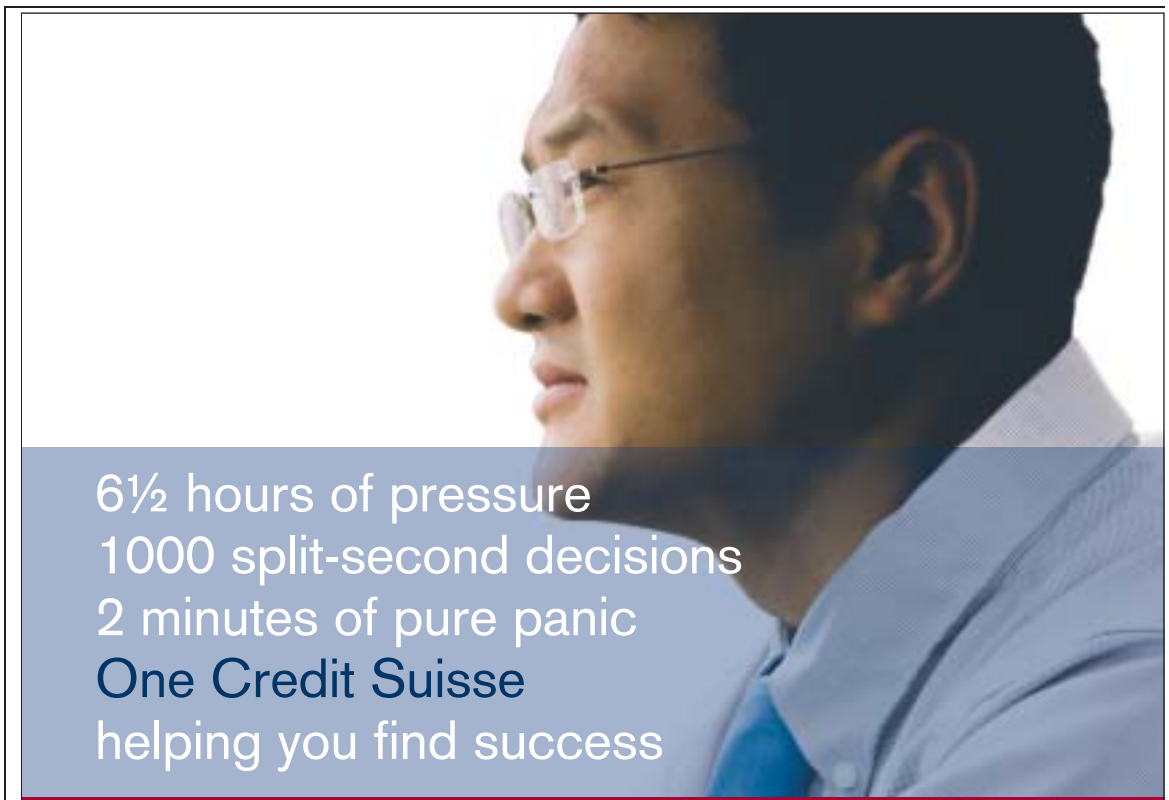


Source: Thomson Reuters

■ **Slow growth:** Much of the optimism in the markets is based on expectations that global growth will be robust enough to speed up the process of deleveraging among overindebted Western economies. One risk to this outlook is that a combination of fiscal tightening and monetary-policy exit strategies leads to a "double-dip" recession. Another is that U.S. unemployment will be slow to fall while European unemployment continues to rise, leading to weak consumer demand.

■ **Bank balance sheets:** The global banking system is in better health than a year ago. But trading desks could be vulnerable to asset-price corrections. And doubts remain whether banks are facing up to the full extent of losses on loan books. The practice of "amend, extend and pretend," particularly in relation to commercial property, may be concealing the true scale of bad debts. A sharp rise in bond-market yields also would put pressure on bank-funding costs.

While 2010 is unlikely to bring anything like last year's gut-wrenching volatility, investors shouldn't expect it all to be smooth sailing. *—Simon Nixon*



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